



January 28, 2026

Private Equity Task Force  
National Association of State Boards of Accountancy

Submitted via email to [petaskforce@nasba.org](mailto:petaskforce@nasba.org)

**RE: Comments on National Association of State Boards of Accountancy Private Equity Task Force White Paper on Alternative Practice Structures & Private Equity**

Dear NASBA Private Equity Task Force Members,

On behalf of the California Society of CPAs (CalCPA)<sup>1</sup>, we respectfully submit comments on the National Association of State Boards of Accountancy (NASBA) Private Equity Task Force White Paper, *Alternative Practice Structures & Private Equity: Considerations and Questions for Boards of Accountancy* (White Paper).

Alternative practice structures (APS) have existed for many years as a strategic firm model within the profession. What has changed is the scale and pace of private equity (PE) investment accelerating their adoption and expansion. Firms of all sizes are increasingly turning to PE-backed APS models to modernize operations, invest in technology, expand services and address succession challenges. Whether viewed as an opportunity or a complication, PE is no longer a fringe presence in accounting and is reshaping the profession faster than many existing regulatory frameworks were designed to accommodate—making it appropriate to reassess whether safeguards, particularly around attest services, remain effective.

This moment places the profession at an inflection point—but it does not need to become a dividing line. A divided or uncoordinated response to change poses a real risk, alongside any considerations related to PE investment or evolving business models. If firms, regulators and professional organizations move forward in isolation or at cross purposes, then the profession risks undermining its own strength, alignment and public trust.

Our responses to the White Paper's core questions emphasize the need for regulatory frameworks that are clear, consistent and aligned with how CPA firms operate today, while underscoring that protecting the quality and integrity of the attest function is a fundamental priority. Maintaining audit quality in increasingly complex firm structures requires more than any single safeguard; it depends on a coordinated approach that integrates professional standards, regulatory requirements, firm governance and organizational culture. In APS and PE-backed environments, these coordinated efforts must ensure clear separation and independent governance for attest firms, with exclusive authority over attest decisions and strong protections against non-attest influence to preserve independence, audit quality and public trust.

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<sup>1</sup> CalCPA represents Certified Public Accountants and related professionals across California in public accounting firms, business, government, and nonprofit organizations. We collaborate with policymakers, regulators, and other stakeholders to advance the public interest and support CPAs in meeting the needs of their clients and employers through timely guidance, advocacy, and professional development.

While the White Paper highlights challenges often associated with APS and PE, many of these issues—such as the use of the CPA designation—are not inherent to those models alone. Rather, they reflect regulatory structures and professional standards that have not kept pace with emerging firm practices, increasingly sophisticated multi-jurisdictional operations and evolving consumer expectations, dynamics that are further accelerated by rapid technology changes. As firms continue to modernize how they deliver services, these gaps are becoming more apparent and should be addressed. Inconsistent legacy standards and rules create uncertainty for licensees and firms and lead to outcomes that are problematic for the profession and the public.

Profession stakeholders should collectively assess whether updates to standards and regulations are necessary to reflect practice realities, improve consumer understanding, support the profession's appeal to future professionals, and preserve the CPA designation as a trusted and relevant signal in the marketplace. NASBA, the AICPA, state boards of accountancy, state CPA societies and other profession stakeholders are well-positioned to lead this effort and support a more consistent and coordinated national approach.

The profession should also avoid viewing PE as an all-or-nothing choice. Many firms work with PE thoughtfully and responsibly, while others remain independent for sound strategic and cultural reasons—both approaches have a place in the marketplace and can serve the public interest. Importantly, risk profiles are not uniform across firms, regardless of ownership model. Traditional firms likewise present varying risk and quality considerations based on how they are structured, the services they provide, the industries they serve, and how effectively they manage independence and quality controls.

For firms that choose an APS model or partner with PE, not all investors present the same risks. More sophisticated investors often recognize that protecting independence and audit quality supports long-term value. At the same time, as the White Paper notes, some APS models or PE investors may not fully understand the public-interest obligations of attest work and, intentionally or unintentionally, may introduce risks to consumers and the public.

Effective oversight should therefore focus on governance, independence, transparency and accountability—rather than ownership structure alone—and be supported by clear standards and consistent enforcement.

CalCPA appreciates the extensive and thoughtful work of NASBA's Private Equity Task Force in developing this White Paper. The Task Force has undertaken a serious, good-faith examination of complex and evolving issues, providing a strong foundation for constructive dialogue among regulators, standard-setters, firms and other stakeholders.

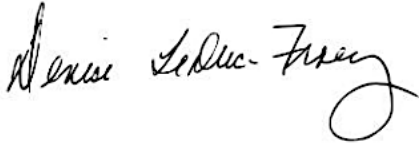
To support CalCPA's informed engagement on these issues, we established an Alternative Practice Advisory Group (APAG). The APAG includes members from across the profession, representing firms of varying sizes and structures, including both PE-backed APS firms and firms that remain independent. The group provides input on key APS issues, evaluates proposed changes to professional standards and regulatory frameworks, assesses impacts on licensees and consumers, and supports the development of CalCPA responses to related exposure drafts.

CalCPA's comments are informed by input from the APAG, member leaders, staff leadership, and professional and regulatory stakeholders nationwide. We offer both general observations on

APS and PE investment and detailed responses to the specific core questions posed in the White Paper, included in **Attachment 1**.

We appreciate your consideration of our comments and look forward to continued collaboration to advance the profession and ensure the public continues to benefit from trusted CPA services. Should you have any questions regarding our submission, please contact Jason Fox, CalCPA's Vice President of Advocacy and Public Affairs, at [Jason.Fox@calcpa.org](mailto:Jason.Fox@calcpa.org).

Sincerely,

A handwritten signature in black ink, reading "Denise LeDuc-Froemming". The signature is fluid and cursive, with the first name "Denise" being more prominent.

Denise LeDuc Froemming, CPA, CAE, MBA  
President & CEO  
California Society of CPAs & CalCPA Education Foundation

A handwritten signature in black ink, reading "Jillian N. Phan". The signature is fluid and cursive, with the first name "Jillian" being more prominent.

Jillian N. Phan, CPA  
Chair  
California Society of CPAs

## **Attachment 1:**

### **CalCPA Comments on NASBA Private Equity Task Force White Paper Core Questions**

#### **1. Independence and Professional Standards**

- a. How should attest firms operating in an APS model with PE investment maintain audit quality and avoid undue influence and pressure to perform, if non-attest entities influence the attest firm's management, compensation and performance evaluations?**

Maintaining audit quality in increasingly complex firm structures requires more than a single safeguard. It depends on a coordinated approach that integrates professional standards, regulatory requirements, firm governance and organizational culture. In APS and PE-backed environments, avoiding undue influence requires clear separation between attest and non-attest entities. A single governance structure overseeing both creates a risk of prioritizing commercial outcomes over professional judgment. Attest firms must therefore maintain independent governance, supported by administrative services agreements that prohibit non-attest entities from influencing attest decisions. Attest firms must retain clear authority over client acceptance, engagement performance and conclusions, partner evaluation and compensation related to attest work, and quality control and risk management. Without this separation and clarity, independence risks increase, which undermine audit quality and public trust.

- b. What restrictions should apply to PE investors and their portfolio companies becoming attest clients of an attest firm within their same shared APS structure?**

We are actively reviewing the proposed revisions to the AICPA Code of Professional Conduct currently out for comment and anticipate submitting feedback to the AICPA's Professional Ethics Executive Committee (PEEC). This exposure draft is expected to propose updates to professional standards that address these scenarios. In general, restrictions should apply to PE investors and their portfolio companies serving as attest clients within the same APS structure. At a minimum, heightened scrutiny and clear prohibitions are warranted where economic, governance or compensation linkages could reasonably impair independence or create significant perception risk. Even where technical compliance may exist, perceived conflicts can undermine public trust. Clear and consistent guidance across professional standards and regulatory frameworks would strengthen independence safeguards while supporting responsible firm structures.

- c. How should peer review processes address the complexity of independence considerations introduced by APS structures with PE investment?**

Peer review remains a cornerstone of the profession's oversight framework and should continue to evolve alongside changing firm structures, as it has throughout the profession's history. Because APS models involving PE introduce greater operational complexity and independence risk than traditional firms,

targeted enhancements may be appropriate. These may include focused training for peer reviewers on APS- and PE-related risk factors and, where warranted, enhanced peer review procedures or additional disclosures. Many of these enhancements are already under consideration by the AICPA's Peer Review Board. This approach strengthens existing oversight mechanisms to ensure state boards and the public can continue to rely on the Peer Review program as a key component of the regulatory framework.

**d. Are there adequate safeguards to ensure that attest firms maintain the necessary internal knowledge and frameworks for compliance with the AICPA Code, and federal/state laws and rules, specifically around the protection of confidential client information?**

We are actively reviewing the proposed revisions to the AICPA Code of Professional Conduct currently out for comment and anticipate submitting feedback to the AICPA's Professional Ethics Executive Committee (PEEC). This exposure draft is expected to propose updates to professional standards that address these scenarios. In general, existing professional standards, legal requirements and firm-level controls provide a strong framework for protecting confidential client information. As firm structures continue to evolve, firms should regularly assess and update their internal controls, governance frameworks and compliance programs to ensure these safeguards remain effective across multi-entity environments, whether they are in an APS or PE-backed model.

**e. How can Boards of Accountancy and other standard setting bodies address independence concerns based on the size and scale of attest firms' relationships?**

Oversight of large and complex accounting firm structures is not new to Boards of Accountancy. Regardless of firm size, organizational structure or PE involvement, Boards should continue to develop shared and consistent insights and resources to support effective oversight across the profession. Independence safeguards and related professional standards should be clear, consistent and sufficiently understandable so that CPA firms of all sizes and levels of sophistication can implement them effectively, and regulators can enforce them. It is also important that regulators continue to rely on existing processes, such as peer review, as meaningful tools to support compliance and oversight within established professional standards and regulatory frameworks.

**f. Are there positions taken within PEEC's memorandum *Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures* that you believe should impose more restrictive requirements regarding attest firm independence? If so, which provisions, how would you modify them and why?**

We are actively reviewing the proposed revisions to the AICPA Code of Professional Conduct that are currently out for comment and anticipate submitting our feedback to the AICPA's Professional Ethics Executive Committee (PEEC).

- g. Would your Board of Accountancy consider adopting stricter laws or rules associated with independence than those in the AICPA Code, to enhance public protection?**

Where necessary to enhance public protection, Boards of Accountancy should consider adopting independence-related requirements that are more stringent than those in the AICPA Code, including provisions related to APS and PE, consistent with how Boards already approach other areas of regulation. At the same time, any such deviations should be evaluated within the broader professional and regulatory ecosystem. Independence standards are most effective when they are clear, consistent and coordinated across jurisdictions—particularly for firms operating across jurisdictions. Accordingly, departures from national standards should be carefully assessed for their impact on regulatory consistency, enforceability and overall regulatory effectiveness.

## **2. Disclosure and Public Understanding**

- a. Should Boards of Accountancy require more prominent and standardized disclosures on websites and marketing materials, distinguishing attest and non-attest entities under common control?**

Consumers may experience confusion around APS structures, including which legal entity they are contracting with, and which is licensed and regulated as an accounting firm. Clear disclosures can enhance transparency and consumer understanding, particularly where shared branding exists. At the same time, care should be taken to avoid disclosure requirements that are overly prescriptive or single out one firm model over another. Broad disclosure mandates risk adding regulatory complexity—especially given the variety of firm structures in the profession, including APSs, LLPs, and corporations—and could create inconsistent or unintended outcomes.

Any regulatory approach to disclosures should therefore balance clarity with flexibility. Disclosures should focus on information that is most relevant to consumers—clearly distinguishing attest and non-attest entities, identifying the licensed and regulated firm, and using plain language accessible to non-experts—while avoiding unnecessary compliance burdens and allowing for varied firm structures. Consistency across jurisdictions is also important, given that firms are licensed and practice and serve clients across multiple jurisdictions.

- b. How can Boards of Accountancy better educate consumers about the distinction between attest and non-attest services in APS structures?**

Education around APS and PE structures should be a shared responsibility across the profession. Boards of Accountancy have an important role to play, but that role is best focused on improving public understanding of the accountability and regulatory oversight Boards exercise over licensed accounting firms, rather than the technical mechanics of ownership structures. Board educational efforts should clearly explain firm obligations, who is responsible for professional services and how consumer protections are enforced, helping the public better understand how the regulatory system operates to protect the public interest.

**c. What clarity is needed regarding Uniform Accountancy Act and Model Rules' wording on the use of the CPA title by individuals not associated with attest firms?**

Recent confusion related to the use of the CPA title is not driven by APS or PE structures themselves but rather reflects regulatory frameworks that have not kept pace with modern firm practices, multi-state operations and evolving consumer expectations. These challenges are becoming more pronounced as firms modernize how they practice and deliver services. This is a critical issue that should be addressed. Inconsistent and outdated title-use rules have created uncertainty for licensees and firms, leading some CPAs to avoid using the CPA designation out of concern that they may inadvertently violate state title-use requirements—an outcome that is troubling for both the profession and the public.

A clear and consistent regulatory approach is needed to address confusion and liability concerns while affirmatively encouraging the appropriate use of the CPA designation by licensed individuals authorized to provide public accounting services. Visible and consistent use of the CPA title enhances consumer understanding, reinforces regulatory oversight and accountability, and supports the long-term growth of the profession and its talent pipeline. Regulatory frameworks across jurisdictions should assess whether updates to the Uniform Accountancy Act and Model Rules are warranted to reflect today's practice realities, support consumer understanding, and preserve the CPA designation as a trusted and relevant signal in the marketplace. NASBA, the AICPA and other profession stakeholders can play a leadership role in advancing a more consistent national approach.

**d. How should advertising practices be regulated to provide transparency regarding the relationship between attest firms and non-attest entities?**

Regulation of advertising practices may be outside the direct scope of Boards of Accountancy. As noted in prior responses, Board efforts may be best directed toward establishing clear and consistent rules for firms and licensees across jurisdictions. In that context, standardized disclosure requirements—rather than detailed advertising regulation—can help enhance transparency and consumer understanding, particularly where shared branding exists.

**3. Regulatory Oversight and Enforcement**

**a. What are the implications of differing state definitions of “the practice of public accountancy” for attest firms operating nationally under APS models?**

Like regulations governing the use of titles, inconsistent definitions and fragmented regulatory approaches to “the practice of public accountancy” create confusion, compliance challenges and increased liability exposures for firms operating across state lines. As public accounting firms increasingly establish national footprints—including smaller firms with multistate staff, operations and clients—these challenges are amplified, exposing inconsistencies and gaps in

the regulatory framework. APS structures, including those involving PE, further highlight these issues but are not their root cause. In addition, Boards of Accountancy do not always operate in coordination and, at times, apply differing or conflicting interpretations, which undermines regulatory clarity and effectiveness. Greater uniformity, consistency and coordination across jurisdictions would improve clarity, support effective oversight and strengthen the overall regulatory framework. As with the use of titles, NASBA, the AICPA and other profession stakeholders can play an important leadership role in advancing a more consistent national approach.

**b. Would Boards of Accountancy find it helpful for the UAA to include definitions of “active individual participant” or “affiliated entities” within its requirements for non-CPA firm owners?**

Standardized definitions support clearer and more consistent regulation and enable Boards of Accountancy to better evaluate their laws and regulations to determine whether updates are needed for effective oversight. For some states, defining terms such as “active individual participant” and “affiliated entities” may be warranted, while for others it may not be necessary. The Uniform Accountancy Act provides a reasonable starting point for offering consistent definitions that can improve regulatory clarity across jurisdictions, while still preserving state flexibility to adopt changes appropriate to their specific statutory and regulatory frameworks.

**c. How should Boards of Accountancy coordinate oversight when CPA firms operating under an APS model with PE investments conduct business across multiple jurisdictions?**

Boards of Accountancy have long regulated CPAs and CPA firms operating across state lines, regardless of firm size, structure or ownership. Firms operating under APS models—with or without PE investment—should therefore not be subject to different regulatory treatment solely because of their organizational structure. State Boards should continue to rely on their respective practice acts to determine jurisdiction, exercise oversight and coordinate with one another on enforcement matters, consistent with existing practice. A coordinated and consistent approach across jurisdictions supports effective oversight while easing regulatory compliance for firms and improving clarity for consumers.

**d. Regarding CPA firm registration requirements, do Boards of Accountancy need details on an attest firm’s principal place of business and physical presence in the jurisdiction, to ensure compliance with relevant laws and rules?**

Questions related to firm registration, jurisdiction and oversight are best viewed as matters of mobility and cross-border practice, rather than firm structure or ownership model. Cross-border practice already applies to CPA firms operating under APS structures and those that do not. California’s existing mobility provisions demonstrate this approach by considering factors such as physical presence, principal place of business and the nature of the client relationship, with registration required where appropriate. This framework illustrates that effective oversight of multistate practice can be achieved without differentiating



firms based on APS or PE structures. As with regulatory definitions and enforcement, a coordinated and consistent approach across jurisdictions can ease regulatory compliance for firms and enhance effectiveness for Boards and consumers alike.