



April 20, 2026

Professional Ethics Executive Committee
American Institute of CPAs

Submitted via email to ethics-exposedraft@aicpa.org

RE: Comments on Dec. 29, 2025, AICPA Professional Ethics Executive Committee Exposure Draft: *Proposed Revisions Related to Alternative Practice Structures*

Dear Members and Staff of the Professional Ethics Executive Committee,

On behalf of the California Society of CPAs (CalCPA)¹, we respectfully submit comments on the American Institute of CPAs (AICPA) Professional Ethics Executive Committee (PEEC) Exposure Draft, *Proposed Revisions Related to Alternative Practice Structures* (Exposure Draft). We commend PEEC for undertaking this important work and appreciate the thorough analysis, stakeholder engagement and thoughtful approach reflected in the Exposure Draft.

To inform our engagement on issues related to alternative practice structures (APS) and private equity (PE) investment into public accounting, CalCPA established an Alternative Practice Advisory Group (APAG), comprising members from firms of varying sizes and structures, including PE-backed APS firms and independent firms. Our comments reflect input from APAG, member leaders, CalCPA's technical committees, staff and insights from stakeholders across the country.

We offer both general observations on APS and PE investment and focused comments on the Exposure Draft's proposed revisions.

CalCPA's Perspective on APS and Private Equity in the Profession

PE investment has significantly accelerated the adoption and growth of APS, which have existed for years as a strategic firm model. Firms of all sizes are increasingly turning to PE-backed APS models to modernize operations, invest in technology, expand services and address succession challenges. PE is no longer a fringe presence in the profession. It is reshaping it faster than many existing regulatory and standards frameworks were designed to accommodate. This makes it appropriate to reassess whether current safeguards, particularly around attest services, remain effective.

This moment is an inflection point, but it does not need to become a dividing line. If firms, regulators and professional organizations move forward in isolation or at cross purposes, the profession risks undermining its own alignment and public trust. The Exposure Draft is a critical step toward a more coordinated approach, and PEEC standards must move in step with any regulatory changes, ensuring the two remain aligned and mutually reinforcing. CalCPA emphasized similar themes in our comments

¹ 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.

to NASBA on its APS and private equity white paper, particularly the need for alignment across standard-setting and regulatory bodies.

CalCPA's comments focus on the need for clear, consistent regulatory frameworks that reflect how firms work today and how they are evolving. Standards should be relevant now and positioned to remain relevant into the future, while protecting the quality and integrity of the attest function. In APS and PE-backed environments, this requires more than any single safeguard. It depends on a coordinated approach that integrates professional standards, regulatory requirements, firm governance and organizational culture, with clear separation and independent governance for attest firms, exclusive authority over attest decisions, and strong protections against non-attest influence.

At the same time, outdated or inconsistent standards create their own risks. Gaps and ambiguity breed uncertainty for firms and regulators and can produce uneven outcomes for the public. This is an opportunity to better align standards with current practice, improve public understanding and reinforce the CPA designation as a trusted signal in the marketplace. And doing so will require coordination across state and national regulators, standard setters and profession leaders.

The profession should avoid treating PE as an all-or-nothing choice. Some firms engage with PE thoughtfully; others remain independent for sound strategic and cultural reasons. Both have a place in the marketplace and can serve the public interest. Risk should not be assumed based on ownership model alone. Firms of all types have different risk and quality profiles depending on their governance, services, client base and how effectively they manage independence and quality controls.

Similarly, not all investors present the same risks. Many sophisticated investors recognize that protecting independence and audit quality supports long-term value. Others may not fully understand the public-interest obligations of attest work and could introduce risk, whether intentionally or not.

For these reasons, oversight should focus on what matters most: governance, independence, transparency and accountability, supported by clear standards and aligned regulatory oversight. A coordinated framework of strong standards, consistent application, professional judgment and effective oversight is what will ultimately support audit quality and maintain public trust.

Framing of Our Comments

CalCPA recognizes that PEEC is a technical body and that the Exposure Draft advances a technical modernization of the Code. It makes meaningful progress in addressing independence risks related to APS and PE structures, including upstream entities, network firm considerations, the covered member framework and application of the conceptual framework.

Technical standards, however, do not exist in isolation. They operate within a broader ecosystem of regulatory frameworks, firm governance, professional culture and public expectations. Getting the technical details right is essential, as is ensuring that firms, regulators and other stakeholders can understand, implement and consistently apply them in practice. Our comments reflect both considerations and are intended for PEEC as well as the broader profession leaders who will be responsible for translating these standards into actionable guidance and practical implementation tools.

Our perspective is grounded in key principles:

- APS and PE structures are a permanent part of the profession and standards should govern them clearly and effectively. Firms that adopt these models and those that remain independent both need clear, workable guidance to support long-term stability. As the profession evolves to

meet new demands and leverage new tools, relevant standards will be critical regardless of ownership structure.

- The proposed standards are complex, but that complexity mirrors today's firm structures. Principles-based independence standards have long served the profession well and should remain the foundation. The distinctive features of APS and PE structures, however, may call for clearer, more specific guidance written in plain English so that licensees, firms, regulators and the public can interpret and apply the standards consistently.
- Professional standards and regulatory oversight must work together. Updates will only be effective if state boards of accountancy, peer review programs and other oversight bodies can apply them consistently. A coordinated approach is essential to ensure uniform interpretation and enforcement across jurisdictions.
- The standards must strike the right balance between flexibility and clarity. They should be adaptable enough to reflect the profession's continued evolution while providing enough structure to support consistent application. Standards that are too rigid risk being worked around; those that are too open-ended risk inconsistent interpretation. The right balance is critical to maintaining audit quality and public trust.
- Effective standards, particularly those as complex as these, require a shared understanding and clear rules of engagement, supported by sustained efforts to educate the profession's stakeholders.

With these principles in mind, we offer the following observations for PEEC's consideration.

The Principles-Based Approach Is Sound, But Guidance Is Essential

CalCPA supports the principles-based framework that underpins the AICPA Code of Professional Conduct. The Code has long combined high-level ethical principles with specific rules and guidance, requiring CPAs to apply professional judgment and skepticism while maintaining consistent, enforceable standards. This approach has served the profession well and remains appropriate as firm models continue to evolve.

The Exposure Draft appropriately extends this framework to APS and PE environments. Given the range of firm structures in practice today, a uniform set of bright-line rules would not be workable, and preserving space for professional judgment and contextual analysis is essential.

At the same time, greater complexity places greater demands on those who must apply the standards. As firm structures evolve, the challenge of consistent interpretation and application grows for practitioners, firms, regulators and reviewers alike. In this environment, the supporting layer of the Code, including interpretations, examples and practical guidance, becomes critical.

The success of these standards will depend heavily on the quality and accessibility of accompanying guidance. CalCPA strongly encourages PEEC, in collaboration with profession stakeholders, to develop practical implementation resources. This is especially important given the range of audiences who will rely on them, from large APS firms with dedicated compliance resources to smaller firms, general practitioners, state board staff, peer reviewers and policymakers. Ensuring all these groups can understand and apply the framework consistently is essential to achieving the standards' intended outcomes.

Implementation Resources Must Be Released Alongside the Standards

CalCPA strongly encourages PEEC to treat guidance as integral to the final standards and to release it alongside adoption, not as a follow-on effort. These resources are not supplementary; they are essential to effective implementation. At a minimum, we recommend:

- Illustrative examples and fact patterns covering common APS and PE scenarios, including the network firm analysis, covered member determinations, and the conceptual framework assessment.
- Frequently asked questions addressing common application questions across different firm sizes and structure types.
- Plain-language summaries designed for non-technical audiences, including regulators, policymakers and clients.
- Training materials for peer reviewers, state board staff and others responsible for oversight and enforcement.
- Targeted guidance for smaller firms and general practitioners operating in or interacting with APS structures.

Without accessible, practical implementation and compliance resources, even well-designed standards risk producing inconsistent outcomes across firms and jurisdictions, undermining both their effectiveness and the profession's credibility.

Clarity and Enforceability Are Foundational

CalCPA recognizes, as the California Board of Accountancy has noted in its own review of this Exposure Draft, that the ability of state boards to regulate and enforce these standards is a crucial consideration. In California, disciplinary cases require proof by clear and convincing evidence, a heightened standard that places a real premium on clarity and precision in the underlying rules. Enforcement environments vary across jurisdictions, and PEEC should consider these differences when finalizing the updated standards and related guidance.

Specifically, PEEC should consider whether the standards minimize ambiguity and can be applied consistently by a reasonable person, whether they provide firms with sufficient rules and guidance to assess and document independence determinations in a way that regulators and others can meaningfully evaluate, and whether they are practical to follow and enforce across a wide range of firm sizes, structures, and state regulatory environments.

These considerations carry particular weight in the APS and PE context, where the risk profile is more complex and the relationships that must be assessed extend well beyond the attest firm itself. If regulators lack confidence that these standards are applied consistently and predictably, or in their ability to enforce them, the result may be a proliferation of state-specific rules that fragment the national framework the profession depends on. This would create compliance burdens for firms operating across jurisdictions and undermine the very consistency the standards are meant to provide.

Independence in Both Fact and Appearance Remains Paramount

Independence in both fact and appearance must remain a cornerstone of the profession's standards. The Code has historically erred on the side of protecting the public interest, and we encourage PEEC to assess carefully whether the proposed revisions, individually and together, preserve that tradition.

Independence in appearance is not merely a perception concern. It is foundational to the public trust on which the profession's value rests. When a reasonable and informed third party looks at an APS structure with shared branding, shared staff and interconnected governance, their perception of the attest function's independence matters as much as whether technical requirements have been met. We encourage PEEC to be explicit in the accompanying guidance about how appearance considerations should inform the conceptual framework analysis.

APS structures with PE investment introduce governance dynamics and economic incentives that did not exist in the traditional CPA firm model. The nonattest entity board's role in partner compensation, investor influence over strategic and budgetary decisions, and the attest firm's financial dependency on the nonattest entity can all create subtle pressures on independence, even where no technical violation has occurred. The Exposure Draft's additions to the undue influence threat examples are a welcome recognition of these dynamics. As echoed throughout our comments, however, clear and consistent guidance will be critical to ensuring the standards effectively address these threats in practice.

We encourage PEEC to ensure that the standards provide a robust framework to surface and address these pressures before they affect audit quality, not only after a technical impairment has already occurred. The standards should support a culture in which independence is a genuine organizational commitment, not merely a compliance threshold to be cleared.

Clear Rules of Engagement

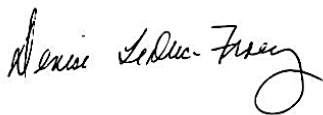
Standards only work when everyone who relies on them shares a common understanding of what they require and how they apply. That understanding does not emerge automatically from publishing technical standards and guidance. It requires education, communication and sustained dialogue across the profession. CalCPA encourages PEEC to approach adoption of these standards as part of a broader profession-wide effort to build that shared understanding, in active collaboration with NASBA, state boards, state CPA societies and other stakeholders.

Conclusion

CalCPA commends PEEC for undertaking this important work and is committed to supporting its successful implementation. The standards governing APS and PE structures must be clear, enforceable and consistently applied to protect audit quality, public trust and the profession's alignment going forward.

We appreciate your consideration of our comments and look forward to continued engagement with profession and regulatory stakeholders as these standards are finalized. If 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.

Sincerely,



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