

January 29, 2026

Dan Vuckovich, CPA
Chair NASBA Private Equity Task Force
National Association of State Boards of Accountancy
petaskforce@nasba.org

Re: NASBA Private Equity Task Force White Paper – Alternative Practice Structures & Private Equity: Considerations and Questions for Boards of Accountancy

Dear Mr. Vuckovich and Members of the NASBA Private Equity Task Force:

On behalf of the Texas Society of Certified Public Accountants (TXCPA) Peer Review Committee, we respectfully provide the following comments on the NASBA Private Equity Task Force White Paper regarding Alternative Practice Structures and Private Equity investment in CPA firms. TXCPA represents more than 28,000 accounting and finance professionals in Texas and advocates on issues that impact CPAs and the practice of accounting.

The TXCPA has established a Peer Review Committee (PRC) to represent those interests on attestation engagements and peer review matters of importance to the TXCPA membership. We appreciate the opportunity to share our perspective on this important issue for the profession.

Executive Summary

Alternative practice structures are reshaping the accounting profession, providing growth, modernization and succession opportunities, while raising risks to independence, audit quality and public trust. Conflicts can arise when ownership structures change and firms within those structures audit portfolio companies and economic pressures may influence professional judgment. Maintaining substantive CPA control, strong governance, strong systems of quality management within firms, responsive peer review oversight, and clear disclosures is essential. The profession and its regulatory bodies must act swiftly to evolve the regulatory frameworks and ensure consistent oversight, protecting independence and public confidence in the profession.

General Comments

We commend the PE Task Force for taking a forward-looking approach to evaluating how private equity investment and alternative practice structures are reshaping the accounting profession. The white paper thoughtfully highlights the most pressing areas in need of deeper analysis, recognizing both the opportunities these models create and the challenges they introduce.

At the same time, we share the Task Force's concern about safeguarding the pillars of public trust – independence, audit quality and sound professional judgment. Evolving ownership structures in the profession introduces complex regulatory questions that demand careful attention. With investment from new capital sources accelerating faster than current frameworks can adapt, the profession and its regulators must respond thoughtfully and without delay.



A coordinated approach to updating regulation and oversight is critical to address emerging ownership models and business structures. Any regulatory changes should reflect the realities of today's practice environment while maintaining strong public protection.

The continued evolution of capital infusion in CPA firms brings to light fundamental tensions between traditional regulatory frameworks and modern capital structures. Most state accountancy acts, including Texas, were drafted when CPA firm ownership models were straightforward – licensed CPAs owned and controlled their firms. Certain alternative practice structures challenge these foundational assumptions, requiring an updated regulatory examination.

Peer Review's Role in Addressing Independence

The peer review process evaluates independence at both the firmwide and engagement levels, and when strengthened with clear guidance and training, it provides a meaningful layer of oversight. Peer reviewers routinely examine client acceptance procedures, independence documentation, risk assessments, and engagement-level compliance. Updating the standards to provide more explicit independence guidance will further enhance this oversight.

Under recently implemented Quality Management (QM) standards, firms must identify quality risks – including those related to independence – and design appropriate responses. For firms operating in APS models, risk assessments must specifically address independence considerations related to complicated ownership structures, potential conflicts with portfolio companies, safeguards to maintain independence, and processes to evaluate indirect relationships. The standard should continue to evolve to include best practices.

Responses to Core Questions

Topic 1: Independence and Professional Standards

Maintaining Audit Quality and Avoiding Undue Influence

Effective governance frameworks emphasize independence, transparency, ethical conduct, and accountability as core principles. These elements must be supported by clear standards and consistent enforcement to maintain credibility and public trust. Governance that prioritizes these foundational responsibilities, rather than focusing solely on majority ownership, is essential to the profession's integrity.

Clear governance structures that protect an attest firm's professional autonomy – supported by documented independence policies and strong peer-review oversight – are essential. Peer reviewers assess whether compensation models create undue pressure, whether safeguards work in practice, and how firm leadership maintains independence. They also weigh factors such as practice type, audit complexity, inherent risk, and reliance by third parties, noting that firms without high-risk engagements present lower overall risk profiles.

Economic pressures can erode professional standards over time through incremental rather than sudden changes – firms will not immediately change quality focus, but emphasis can shift from quality to profit maximization. This underscores the importance of ongoing monitoring through regular peer review with heightened scrutiny for alternative practice structures and regulatory vigilance, recognizing that structural pressures can influence behavior over time.

Peer Review Process Adaptations

We view this primarily as a training and education issue. We recommend:

- Development of specific training modules for peer reviewers, technical reviewers and peer review committees addressing peer review of firms with complex APS structures;
- Enhanced guidance and checklists for evaluating independence in APS contexts;
- Creation of consultation resources for state administrative entities; and
- Inclusion of APS-related experience and training codes in PRIMA to facilitate appropriate peer reviewer scheduling.

Independence Requirements and PEEC Positions

The AICPA Professional Ethics Executive Committee (PEEC) has issued an exposure draft addressing independence concerns related to alternative practice structures, specifically related to private equity investment in accounting firms. We intend to review and respond to those specific recommendations in advance of the April deadline and therefore, we have not addressed those issues here.

As this evaluation develops, the focus should be on transparency, clear identification of unacceptable threats, practical safeguards, and enhanced documentation.

Topic 2: Disclosure and Public Understanding

We agree that consumers and the public should have clarity about relationships between CPA firms and other owners and be aware of potentially competing interests. Transparency is essential to maintaining public trust.

We support standardized disclosure requirements by providing clear guidelines to firms rather than focusing primarily on consumer education about technical “attest” versus “non-attest” distinctions. While consumer education has value, focus should be on ensuring firms provide clear disclosures and Boards have mechanisms to verify them. The technical nature of distinctions may be difficult for typical consumers to grasp, but they should understand basic facts about ownership, relationships and how to file complaints. Consistency across jurisdictions is also important for firms that are licensed and perform attest services in multiple states.

Attest clients must also receive clear, consistent disclosures regarding the firm’s ownership structure and any affiliated entities within an APS arrangement to evaluate potential conflicts of interest. Standards and professional guidance should also specify what, if any, attest-client

information may be shared within the APS structure to safeguard transparency and independence. Such disclosures strengthen public understanding and reinforce trust in the profession.

Topic 3: Regulatory Oversight and Enforcement

Differing state definitions create challenges for both firms and regulators. We support efforts toward greater uniformity through the Uniform Accountancy Act while recognizing states must retain authority to protect citizens. Clear definitions of "active individual participant" or "affiliated entities" would help ensure consistent interpretation and enforcement.

Departures from established national standards should be carefully considered due to their potential impact on regulatory consistency, enforceability and overall regulatory effectiveness.

Effective information sharing among state boards, stronger coordination mechanisms and a consistent approach across jurisdictions supports effective oversight and eases regulatory compliance for firms.

Although CPA firms have long operated across state lines, certain APS structures introduce new complexities that existing regulatory frameworks may not be equipped to manage. Registration requirements are essential for effective oversight and enforcement, and they should include clear disclosure of physical office locations, ownership structure, related entity relationships, and principal place of business.

Conclusion

Alternative practice structures offer genuine opportunities for firms to access capital, modernize operations and address succession challenges. However, these benefits must not compromise the independence, professional judgment and public protection that define our profession.

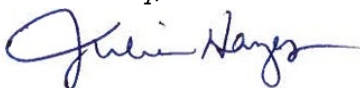
Key priorities include:

- Clear national standards to ensure regulatory consistency, enforceability and overall regulatory effectiveness.
- Strengthening coordination among state boards to prevent regulatory inconsistencies.
- Clear, consistent firm disclosure requirements.

Ultimately, the public deserves assurance that professional judgment and independence remain uncompromised, regardless of the firm's ownership structure.

We appreciate the opportunity to provide input on this important issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julia Hayes".

Julia Hayes, CPA
Chair, Peer Review Committee
Texas Society of Certified Public Accountants