June 15, 2025

AICPA Professional Ethics Executive Committee
1345 Avenue of the Americas
27th Floor
New York, NY 10105

RE: Comments on the Discussion Memorandum – Independence in Alternative Practice Structures

Via email: ethics-exposuredrafts@aicpa.org

Dear Members of the Alternative Practice Structures Task Force:

The North Carolina Association of Certified Public Accountants ("NCACPA"), representing more than 12,000 members in public practice, industry, government, and education, welcomes the opportunity comment on the March 10, 2025, discussion memorandum, *Potential Revisions to the AICPA Code of Professional Conduct and Guidance Related to Independence in Alternative Practice Structures*. This response represents the views of the NCACPA Accounting & Attestation Resource Group ("Resource Group") with input from the NCACPA staff.

The Resource Group commends the task force for its thorough analysis of how evolving business models, particularly those involving private equity ("PE") investments, impact the application of the Code's independence standards. As firms increasingly operate within alternative practice structures ("APS"), clear and modernized guidance is essential to uphold the public interest and promote consistent compliance across the profession.

We offer the following observations and feedback:

**Questions 4 & 5 – Definitions and Terminology**

While the new terms are generally clear, we believe paragraph 6 contains conflicting points. The sixth bullet appropriately states that the attest firm must have its own board of directors. However, the next bullet gives the nonattest entity's board authority over the compensation of attest firm partners. This arrangement raises concerns about professional judgment being subordinated to non-CPAs. Compensation decisions for attest firm partners should remain under the control of licensed CPAs who are directly accountable for the firm's attest work.

We support replacing the term "PE investor" with the more neutral "investor." This shift keeps the focus on threats to independence rather than the source of capital.

**Question 8 – Paragraph 38: Stakeholder Influence**

We agree with the task force's conclusion that independence threats can arise not just from investors themselves, but also from key stakeholders and others associated with those investors. This is a necessary and appropriate recognition.

**Question 9 – Paragraph 39: Audit Prohibitions for Certain Entities**

Paragraph 39 prohibits attest services to investors and certain affiliated entities when the investor holds significant influence or control. We recommend reconsidering the use of those thresholds. In a privately held APS, any outside investment is likely a significant, intentional act—suggesting that even minority investors may exert considerable influence. Removing the "significant influence or control" qualifiers would reduce ambiguity and improve enforceability.

**Questions 18–20 – Approach to Guidance**

We support **Option 1**, which proposes an authoritative interpretation of the independence rule supplemented with nonauthoritative guidance. Codifying clear rules for covered relationships while allowing flexibility for evolving circumstances strikes an appropriate balance. This approach will provide CPAs with the clarity needed to uphold independence in complex organizational structures.

Thank you for the opportunity to submit these comments. Please direct any questions or concerns to NCACPA Vice President of Advocacy and Outreach Robert Broome, CAE, at rbroome@ncacpa.org or (919) 481-5160.

Sincerely,

Michael Trefzger

Mike Trefzger, CPA
Chair, Accounting & Attestation Resource Group

cc: NCACPA Board of Directors
NCACPA A&A Resource Group
Mark Soticheck, CPA, CGMA, NCACPA CEO