

Melanie S. Griffin, Secretary

Ron DeSantis, Governor

January 9, 2026
Board of Accountancy
Department of Business and Professional Regulations
Jenkins Skyview Room (6th Floor)
350 UT University Dr
Tampa, FL 33606

Notice

Friday, January 9, 2026

9:00 a.m. Call to Order Jason Lafser
Roll Call and Quorum Roger Scarborough

1. Approve Minutes
 - a. November 21, 2025
2. Deceased
 - a. Anderson, Charles A.
 - b. Switzer, Francis M.
3. OGC Final Action

Entry of Final Order

- a. Sanchez, Javier
- b. Williams, Alex M.

Informal Hearing

- c. Bowman, Lary C.
- d. Knobl, Codi
- e. Landy, Michael T.
- f. Ramnarine, Marvin M.
- g. Reiss, Mary E.

Motion for Waiver

- h. Fode, Ruth N.
- i. Muniz, Ricardo A.
- j. Nealon, James T.
- k. Sama, Elizabeth P.
- l. Smith, Myesha

4. Petition for Variance or Waiver
 - a. Lavelle, Alex
 - b. Le, Hue
5. Request for Hearing
 - a. Nau, Vanessa

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Please Note: The Board of Accountancy may hear agenda items out of order rather than as presented on the agenda

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6. Exam Considerations
 - a. Andrew, Nicholas C.
 - b. Gonzalez, Elisa
 - c. Mira Colindres, Anglica M.
 - d. Quintero Bornas, Pedro M.
 - e. Reliford, Justin M.
 - f. Torres, Marlene J.
7. Endorsement Considerations
 - a. Bleam, Douglas
 - b. Gravel, Michele D.
 - c. Krieger, Ginger A.N.
8. Military Endorsements
 - a. Bennett, Rebecca
9. Maintenance & Reactivation – Null and Void
 - a. Morris, Tyler R.
10. Chief Attorney’s Report
11. Board Counsel’s Report
 - a. December 2025 Rules Report
12. Committees
 - a. November 19, 2025 – Education Advisory Committee
 - b. December 8, 2025 - CPE Committee
13. Administrative Items
 - a. Remarks from Chair
 - i. 2026 Committee Appointments
 - ii. 2026 Delegation of Authority Memo
 - b. Remarks from Executive Director
 - c. AICPA Exposure Draft - Proposed revisions related to alternative practice structures
 - d. Update from Board Members Serving on NASBA Committees
14. Florida Institute of Certified Public Accountants
15. Public Comments
16. Future Meetings

February 19 PC	Orlando, FL
February 20 BD	Orlando, FL
April 16 PC	Virtual
April 17 BD	Virtual
May 29 BD	Orlando, FL

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July 16 PC	Orlando, FL
July 17 BD	Orlando, FL
August 20 PC	Virtual
August 21 BD	Virtual
October 1 PC	Orlando, FL
October 2 BD	Orlando, FL
November 12 PC	Orlando, FL
November 13 BD	Orlando, FL

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November 21, 2025
Board of Accountancy
Department of Business and Professional Regulations
GotoMeeting
<https://meet.goto.com/810029685>

[Notice](#)

Friday, November 21, 2025

The meeting was called to order at 9:00 a.m. Roll call of Attendees was called by Roger Scarborough, and reflected the following persons present:

Board Members

William Blend	Present
Brent Sparkman	Present
Jason Lafser	Present
Tracy Keegan	Present
Shireen Sackreiter	Present
Michelle Maingot	Present
William Benson (Chair)	Present
Steve Platau	Present
Caridad Vasallo	Present

Staff

Roger Scarborough	Not Present
Kevin Brown	Present

Rachelle Munson, Senior Assistant Attorney General and Board Counsel. Heather Page, Chief Attorney, Samantha Ceres, Senior Attorney, Office of the General Counsel. Shelly Weir and Jason Harrell of the Florida Institute of Certified Public Accountants. Jennifer Green of Liberty Partners of Tallahassee. The court reporter was Joseline Oyomire. Ms. Keegan left the meeting at 1:00pm

1. Approve Minutes

Motion was made by **Mr. Platau**, seconded by **Ms. Sackreiter**, to approve minutes. Upon vote, the motion passed unanimously.

2. Deceased

A moment of silence was held for deceased licensees.

3. OGC Final Action

Entry of Final Order

a. Short, William H. IV

Mr. Short was not present.

Ms. Keegan was recused.

Ms. Ceres presented the case.

Motion was made by **Mr. Blend**, seconded by **Ms. Maingot** to acknowledge that Respondent was properly served, and returned an Election of Rights form requesting to waive their right to any form of hearing and have a Final Order entered and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by **Mr. Lafser**, seconded by **Ms. Sackreiter** to accept the recommended penalties. Upon vote, the motion passed unanimously.

b. Kellner, Wayne

Mr. Kellner was not present.

Ms. Keegan was recused.

Ms. Ceres presented the case.

Motion was made by Mr. Platau, seconded by Ms. Sackreiter to acknowledge that Respondent was properly served, and returned an Election of Rights form requesting to waive their right to any form of hearing and have a Final Order entered and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously. Motion was made by Ms. Maingot, seconded by Mr. Lafser to accept the recommended penalties. Upon vote, the motion passed unanimously.

Informal Hearing

c. Viggiano, Anthony

Mr. Viggiano was present with Mr. Peter Godwin as counsel.

Mr. Platau and Ms. Keegan were recused.

Name presented the case.

Motion was made by Mr. Blend, seconded by Ms. Maingot to acknowledge that Respondent was properly served, and qualifies to have a hearing before the Board involving no disputed issues of material fact and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by Mr. Blend, seconded by Ms. Maingot to issue a fine of \$5000, plus \$230.99 in costs, to be paid within 30 days of filing of the final order, place the respondent's license on a suspended status for a period of ten (10) years, and prior to a mandated meeting to release of suspension, provide proof of 40 hours of CPE annually, with an additional 4 hours of Florida-Board approved ethics hours for each year. Upon vote, the motion passed unanimously.

d. Berry, Kevin

Mr. Berry was not present.

Ms. Keegan and Mr. Blend were recused.

Ms. Page presented the case.

Motion was made by Mr. Benson, seconded by Ms. Sackreiter to acknowledge that Respondent was properly served, and qualifies to have a hearing before the Board involving no disputed issues of material fact and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by Mr. Platau, seconded by Ms. Vasallo to accept the recommended penalties as presented. Upon vote, the motion passed unanimously.

e. Bridgeman, Sandra

Ms. Bridgeman was present.

Mr. Lafser and Mr. Blend were recused.

Ms. Ceres presented the case.

Motion was made by Ms. Keegan, seconded by Ms. Sackreiter to acknowledge that Respondent was properly served, and qualifies to have a hearing before the Board involving no disputed issues of material fact and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by Ms. Maingot, seconded by Ms. Vasallo to accept the recommended penalties as presented. Upon vote, the motion passed unanimously.

f. Mott, Ronald

Mr. Mott was present.

Ms. Keegan was recused.

Ms. Ceres presented the case.

Motion was made by **Ms. Sackreiter**, seconded by **Mr. Lafser** to acknowledge that Respondent was properly served, and qualifies to have a hearing before the Board involving no disputed issues of material fact and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by **Ms. Maingot**, seconded by **Mr. Blend** to accept the recommended penalties **with an amended fine of \$5000**. Upon vote, the motion passed **with Ms. Vasallo voting no**.

g. Prince, Derek

Mr. Prince was present.

Ms. Keegan was recused.

Ms. Ceres presented the case.

Motion was made by **Mr. Lafser**, seconded by **Ms. Vasallo** to acknowledge that Respondent was properly served, and qualifies to have a hearing before the Board involving no disputed issues of material fact and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by **Mr. Lafser**, seconded by **Mr. Platau** to accept the recommended penalties **as presented**. Upon vote, the motion passed unanimously.

h. Stezovsky, Joshua D.

Mr. Stezovsky was present.

Ms. Keegan was recused.

Ms. Ceres presented the case.

Motion was made by **Ms. Maingot**, seconded by **Ms. Vasallo** to acknowledge that Respondent was properly served, and qualifies to have a hearing before the Board involving no disputed issues of material fact and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by **Mr. Blend**, seconded by **Ms. Maingot** to accept the recommended penalties **as presented**. Upon vote, the motion passed unanimously.

i. William, Blair A.

Mr. William was not present.

Ms. Keegan was recused.

Ms. Ceres presented the case.

Motion was made by **Ms. Sackreiter**, seconded by **Mr. Blend** to acknowledge that Respondent was properly served, and qualifies to have a hearing before the Board involving no disputed issues of material fact and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by **Mr. Blend**, seconded by **Ms. Vasallo** to accept the recommended penalties **as presented**. Upon vote, the motion passed unanimously.

Motion for Reconsideration

j. Gubman, Zane S.

Mr. Gubman was not present.

Mr. Lafser and **Mr. Blend** were recused.

Ms. Page presented the case.

Motion was made by **Ms. Sackreiter**, seconded by **Ms. Keegan** to vacate the September 9, 2025 Final Order and enter a new Final Order accepting the Settlement Agreement to Voluntary Relinquish License for Permanent Revocation executed by the Respondent. Upon vote, the motion passed **with Mr. Platau voting no**.

Motion for Waiver

k. Parman, Madison

Ms. Parman was not present.

Ms. Keegan and Mr. Lafser were recused.

Ms. Page presented the case.

Motion was made by Mr. Platau, seconded by Ms. Sackreiter to acknowledge that Respondent was properly served, and failed to file an Election of Rights form or otherwise establish a disputed issue of material fact in response to the Administrative Complaint, pursuant to Rule 28-106.111, Florida Administrative Code and accept the allegations of fact and violations of law set forth in the Administrative Complaint as the Board's findings of fact and conclusions of law. Upon vote, the motion passed unanimously.

Motion was made by Ms. Sackreiter, seconded by Mr. Sparkman to accept the recommended penalties. Upon vote, the motion passed with Mr. Blend voting no.

Settlement Stipulation

i. Simchuk, Julia

Ms. Simchuk was present.

Ms. Keegan and Mr. Blend were recused.

Ms. Page presented the case.

Motion was made by Ms. Maingot, seconded by Mr. Platau to reject the terms of the proposed Settlement Stipulation. Upon vote, the motion passed unanimously.

Motion was made by Ms. Maingot, seconded by Mr. Platau to revise the settlement to reflect the penalties initially presented in the materials, with the amendment that the fine is increased to \$3000. Upon vote, the motion passed unanimously.

Ms. Simchuk accepted the counter proposal.

Motion was made by Mr. Platau, seconded by Ms. Maingot to accept the revised settlement stipulation. Upon vote, the motion passed unanimously.

m. Hutchinson, Charles L.

Mr. Hutchinson was not present.

Mr. Lafser and Mr. Blend were recused.

Ms. Ceres presented the case.

Motion was made by Ms. Maingot, seconded by Ms. Sackreiter to adopt the terms of the proposed Settlement Stipulation. Upon vote, the motion passed unanimously.

Voluntary Relinquishment

n. Durrance, Frank M.

Mr. Durrance was not present.

Mr. Lafser and Mr. Blend were recused.

Ms. Ceres presented the case.

Motion was made by Ms. Keegan, seconded by Ms. Sackreiter to accept the terms of the voluntary relinquishment. Upon vote, the motion passed unanimously.

4. Petition for Variance or Waiver

a. Bolanos, Helen

Ms. Bolanos was present.

Motion was made by Ms. Keegan, seconded by Mr. Blend, to approve the petition for permanent variance for Rule 61H1-28.0052(1) (b), F.A.C. Upon vote, the motion passed unanimously.

b. Meszaros, Istvan

Mr. Meszaros was present.

Motion was made by Mr. Sparkman, seconded by Mr. Blend, to approve the petition for permanent variance for Rule 61H1-28.0052(1) (b), F.A.C. Upon vote, the motion passed unanimously.

c. Russo, David

Mr. Russo was present.

Motion was made by Ms. Keegan, seconded by Ms. Keegan, to approve the petition for permanent variance for Rule 61H1-28.0052(1) (b), F.A.C. Upon vote, the motion passed unanimously.

5. Exam Considerations

a. Ajazi, Daniel

Mr. Ajazi was present.

Motion was made by Ms. Keegan, seconded by Mr. Blend, to approve for convictions only. Upon vote, the motion passed unanimously.

b. Kelly, Shannon

Ms. Kelly was present.

Motion was made by Ms. Keegan, seconded by Mr. Sparkman, to approve for convictions only. Upon vote, the motion passed unanimously.

c. Meadows, Lawarren

Mr. Meadows was present.

Motion was made by Ms. Keegan, seconded by Mr. Blend, to approve for convictions only upon the condition that he appears before the Board for review upon application for their initial license. Upon vote, the motion passed unanimously.

d. Patel, Hiten

Mr. Patel was present.

Motion was made by Ms. Keegan, seconded by Ms. Sackreiter, to approve for convictions only. Upon vote, the motion passed unanimously.

e. Patel, Samir

Mr. Patel was present.

Motion was made by Ms. Keegan, seconded by Ms. Vasallo, to approve for convictions only. Upon vote, the motion passed unanimously.

f. Torres, Adam

Mr. Torres was present.

Mr. Torres requested to continue his application.

6. Initial Licensure Considerations

a. Cabezas, Juancarlos

Mr. Cabezas was present.

Mr. Cabezas requested to continue his application.

7. Endorsement Considerations

a. Bleam, Douglas

Mr. Blear was not present.

Motion was made by Mr. Platau, seconded by Ms. Vasallo, to continue the application to the January 9, 2026 meeting. Upon vote, the motion passed unanimously.

b. Lawson, Sharyn N.

Ms. Lawson was present.

Motion was made by Mr. Lafser, seconded by Mr. Blend, to approve for question four only. Upon vote, the motion passed unanimously.

c. Petersen, Steven L.

Mr. Petersen was present with Ms. Terri Burdine and Mr. Ben Berger present as character witnesses.

Motion was made by Ms. Keegan, seconded by Ms. Vasallo, to approve for convictions only. Upon vote, the motion passed unanimously.

d. Vega Agosto, Pedro

Mr. Vega Agosto was present.

Motion was made by Ms. Keegan, seconded by Mr. Platau, to approve for question three only. Upon vote, the motion passed unanimously.

e. Walsh, Thomas

Mr. Walsh was present.

Motion was made by Ms. Keegan, seconded by Ms. Maingot, to approve for convictions only. Upon vote, the motion passed with Mr. Blend, Mr. Benson and Ms. Sackreiter voting no.

f. Zhang, Mengchen

Ms. Zhang was present.

Motion was made by Mr. Platau, seconded by Ms. Vasallo, to approve for question four only. Upon vote, the motion passed unanimously.

8. Maintenance & Reactivation – Null and Void

a. Marino, John

Mr. Marino was present.

Motion was made by Mr. Sparkman, seconded by Ms. Sackreiter, to approve the request to reinstate the applicant's null and void license. Upon vote, the motion passed unanimously.

9. Chief Attorney's Report

Ms. Page presented the Chief Attorney Report.

Motion made by Mr. Blend, seconded by Ms. Sackreiter to allow Chief Attorney to continue to prosecute year-old cases. Upon vote, the motion passed unanimously.

10. Board Counsel's Report

a. November 2025 Rules Report

Ms. Munson presented the November rules report.

11. Committees

a. August 14, 2025 – Educational Advisory Committee

Mr. Platau presented the minutes and decisions made by the committee to be discussed, approved and ratified by the board.

Motion made by Ms. Maingot, seconded by Mr. Lafser to approve the minutes and ratify the decisions of the committee. Upon vote, the motion passes unanimously.

b. September 17, 225 – CPE Committee

Mr. Lafser presented the minutes and decisions made by the committee to be discussed, approved and ratified by the board.

Motion made by Mr. Blend, seconded by Ms. Keegan to approve the minutes and ratify the decisions of the committee. Upon vote, the motion passes unanimously.

12. Administrative Items

a. Remarks from Chair

None at this time.

b. Remarks from Executive Director

None at this time.

c. Update from Board Members Serving on NASBA Committees

Mr. Platau provided an update from the NASBA Board of Directors, PEEC, and the Ethics Committees. This includes an exposure draft for proposed rules pertaining to Private Equity Ownership of Firms.

d. 2026 Elections

Mr. Brown called for any final nominations. At the end of the nominating period the following were nominated for Board Officer Positions:

- Mr. Jason Lafser – Chair
- Mr. Steven Platau – Vice Chair

Motion made by Mr. Benson, seconded by Ms. Keegan to appoint Mr. Lafser to the office of Chair, and Mr. Platau to the office of Vice Chair. Upon vote, the motion passed unanimously.

13. Florida Institute of Certified Public Accountants

Mr. Harrell informed the Board that HB 333 and SB 364 were filed. He provided an update regarding the legislative cycle and upcoming events. The FICPA on the Hill Day will be on December 3, 2025.

14. Public Comments

None at this time.

15. Adjourn

The meeting was adjourned at 1:07 p.m.

William Benson, Chair

Date

**STATE OF FLORIDA
BOARD OF ACCOUNTANCY
MEETING OF THE BOARD**

January 9, 2026

Deceased Practitioners

<u>Name</u>	<u>Certificate Number</u>	<u>Date Deceased</u>
Anderson, Charles Albert	22316	September 16, 2025
Switzer, Francis M	20384	August 28, 2024

Petition for Variance from Rule 61H1-28.0052(1)(b)

18 Month Rule

Petitioner Information:

Alex J. Lavelle
19111 Long Lake Ranch Blvd
Lutz, FL 33558
(813)-510-7092
alexjavelle@gmail.com
Application No.

RECEIVED

DEC 15 2025

Florida Division of
Certified Public Accounting

VW 2025-133

Attorney Information:

N/A

Applicable Portions of the Rule:

Petition for Permanent Variance from Florida Administrative Code 61H1-28.0052(1)(b)(4):
number of Sittings, and Granting of Credit, Release of Grades and Completion of Examination, Transition
Rules

Florida Administrative Code 61H1-28.0052(1): With respect to the CPA Examination:

(b): Candidates must pass all four test sections of the CPA Examination within the designated
rolling period, which begins on the NASBA grade release date for the first test section(s) passed. In the
event all four test sections of the CPA Examination are not passed within the designated rolling period,
credit for any test section(s) passed outside the applicable period will expire and must be retaken.

The citation to the statute the rule is implementing:

Section 473.306, Examinations.

Type of Action Requested

The petitioner respectfully requests the Board of Accountancy permanently waive Rule
61H1-28.0052(1)(b), Florida Administrative Code.

**Specific facts that demonstrate a violation of the principles of fairness that would justify a
variance for the petitioner:**

I (Alex J. Lavelle) am a full-time Tax Specialist at PwC US Tax LLP, where I have been employed
for over seven years. I successfully passed the Financial Accounting and Reporting (FAR), Business
Environment and Concepts (BEC) and Taxation and Regulation (REG) sections of the CPA exam between
July 2023 and July 2024. Additionally, I had scheduled my final exam, Auditing and Attestation (AUD)
for April 29th, before the credits for FAR and BEC would have lapsed following the extension (please see
attached scheduling confirmation from Prometric).

However, after scheduling, I assumed a greater role in overseeing my parents' care. My mother
was hospitalized from March 18-27, 2025, and passed away on March 29th. Following her death, I took on
the responsibility of supporting my elderly father, who also had various ongoing medical conditions, while
simultaneously working both regular and extended hours during busy seasons for State and Local Tax.
After a fall in early June, my father's health declined, leading to his admission to hospice care until his

death on July 1st. If necessary, I am able to provide documentation from medical care professionals that confirms the dates and levels of care my parents required.

Following my mother's death, I originally rescheduled the final exam for June 28th (please see attached appointment confirmation from Prometric), with the intention to petition the Board once the scores were released on July 10th. Given the demands of my father's declining health and my professional obligations, I requested an extension of my Notice to Schedule, which was granted and set for September 30th. I sat for the exam on September 29th and passed on the first try.

I took and passed the four sections of the CPA Exam as follows:

Section	Date Exam Taken	Expiration Date
FAR	7/6/23	6/30/25
BEC	11/6/23	6/30/25
REG	7/1/24	4/30/27
AUD	9/29/25	4/8/28

Given the extension granted under Rule 61H1-28.0052(1)(b), which provides that examination credits expiring between January 1, 2024, and June 29, 2025 are extended through June 30, 2025, I kindly request a permanent exemption from the eighteen-month credit expiration rule. My FAR and BEC credits expired on June 30, 2025, but I had scheduled my AUD exam before the expiration date.

Additionally, I kindly request that this waiver be granted to allow me to fulfill all requirements to apply for my CPA license. Achieving this milestone has been something I have been building towards since college, and would be an important step in my professional development.

The reason why the variance requested would serve the purpose of the underlying statute:

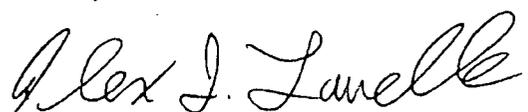
I have successfully completed all four sections of the CPA examination, and the extended time taken to finish the exams does not accurately reflect my competency or qualifications, as the delays were due to circumstances beyond my control. With nearly eight years of experience in public accounting, I have established myself as a trusted and respected individual among my peers. Additionally, I am of good moral character, and granting this permanent waiver would not undermine the intent of Section 473.306, Florida Statutes.

Practitioner Statement:

I kindly request a permanent variance from Rule 61H1-28.0052(1)(b), Florida Administrative Code to reinstate my FAR and BEC credits and apply for my CPA license.

Thank you.

Sincerely,



Section IV Emergency Rules

NOTE: The full text of Emergency Rules that are currently in effect can be viewed by going to <https://flrules.org/Notice/emergencyRules.asp>.

Section V Petitions and Dispositions Regarding Rule Variance or Waiver

DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

Board of Accountancy

RULE NO.: RULE TITLE:

61H1-28.0052 Number of Sittings, and Granting of Credit, Release of Grades and Completion of Examination, Transition Rules

NOTICE IS HEREBY GIVEN that on December 15, 2025, the Board of Accountancy, received a petition for variance or waiver filed by Alex Lavelle. Petitioner seeks a permanent variance or waiver of paragraph 61H1-28.0052(1)(b), F.A.C., regarding time requirements for passing the CPA Examination. Comments on this petition should be filed with the Board of Accountancy within 14 days of publication of this notice.

A copy of the Petition for Variance or Waiver may be obtained by contacting: Roger Scarborough, Division Director, Board of Accountancy, 240 NW 76th Dr., Suite A, Gainesville, Florida 32607, (352)333-2505 or by email, Roger.Scarborough@myfloridalicense.com.

DEPARTMENT OF CHILDREN AND FAMILIES

Family Safety and Preservation Program

RULE NO.: RULE TITLE:

65C-45.005 Level I Waivable Requirements

The Department of Children and Families hereby gives notice: On December 19, 2025, the Department issued an order granting waiver to Children’s Network of Southwest Florida on behalf of a medical foster family. The petition, filed November 21, 2025, sought a waiver from paragraph 65C-45.005(5)(m), Florida Administrative Code, which provides that foster children over the age of 12 months shall not share a bedroom with an adult, except in certain circumstances. The waiver authorizes the three-year-old child-in-care to share a bedroom with the foster family’s developmentally delayed 18-year-old son who poses no risk to children. The Notice of Petition for Waiver was published November 25, 2025, in Volume 51, Number 229 of the Florida Administrative Register. No comments were received.

A copy of the Order or additional information may be obtained by contacting: Agency Clerk, Department of Children and Families, 2415 North Monroe Street, Suite 400, Tallahassee, FL 32303 or Agency.Clerk@myflfamilies.com.

DEPARTMENT OF CHILDREN AND FAMILIES

Family Safety and Preservation Program

RULE NO.: RULE TITLE:

65C-15.016 Staff Functions and Qualifications

The Department of Children and Families hereby gives notice: On December 19, 2025, the Department issued an order granting waiver to Zachary Fried. The petition, filed October 29, 2025, sought a waiver of paragraph 65C-15.016(2)(a), Florida Administrative Code, which requires, in part, that directors of child-placing agencies have a degree in social work or in a related area of study specified in Section 402.402(1)(b), F.S. and four (4) years of experience in human services or child welfare programs. The waiver authorizes Petitioner to serve as executive director of Adoption STAR, Inc. The Notice of Petition for Waiver was published November 5, 2025, in Volume 51, Number 216 of the Florida Administrative Register. No comments were received.

A copy of the Order or additional information may be obtained by contacting: Agency Clerk, Department of Children and Families, 2415 North Monroe Street, Suite 400, Tallahassee, FL 32303 or Agency.Clerk@myflfamilies.com.

DEPARTMENT OF CHILDREN AND FAMILIES

Substance Abuse Program

RULE NO.: RULE TITLE:

65D-30.0142 Clinical and Operational Standards for Medication-Assisted Treatment for Opioid Use Disorders

NOTICE IS HEREBY GIVEN that on December 22, 2025, the Department of Children and Families, received a petition for variance from subparagraph 65D-30.0142(1)(h)2., Florida Administrative Code, from Lakeview Center Medication Assisted Treatment. This rule requires medication-assisted treatment providers to be open Monday through Saturday. Petitioner seeks a temporary variance so that its three clinics may close on Saturdays.

A copy of the Petition for Variance or Waiver may be obtained by contacting: Agency Clerk, Department of Children and Families, 2415 North Monroe Street, Suite 400, Tallahassee, FL 32303 or Agency.Clerk@myflfamilies.com.

FISH AND WILDLIFE CONSERVATION COMMISSION

Freshwater Fish and Wildlife

RULE NO.: RULE TITLE:

68A-6.010 Facility Requirements for Class I and II Wildlife

NOTICE IS HEREBY GIVEN that on December 11, 2025, the Florida Fish and Wildlife Conservation Commission, received a petition for a variance from subparagraph 68A-6.010(3)(b)2.,

RECEIVED

Florida Division of
Certified Public Accounting
NOV 14 2025

Hue Thi Thanh Le
1574 SW 66th Drive
Gainesville, Florida, 32607
huekhiemtran@yahoo.com

NOV 14 2025
Florida Division of
Certified Public Accounting

RECEIVED

Phone: 352-213-7091

National Candidate ID# 1077197, Entity number# 12908250, or SSN# 6362

Date: November 11, 2025

To:

VW 2025-127

Florida Board of Accountancy
240 NW 76th Drive, Suite A
Gainesville, FL 32607

Subject: *Petition for Variance/Waiver – CPA Exam Credit Extension (Rule 61H1-28.0052, F.A.C.)*

Dear Members of the Florida Board of Accountancy,

I respectfully submit this petition for a variance or waiver from Rule 61H1-28.0052(1)(b), Florida Administrative Code, which governs the 18- and 30-month time limitation for maintaining credit on passed CPA Examination sections. I am requesting an extension of my **REG section credit (passed July 2023) (Exam Section ID# 8142145)**—currently set to expire on **June 30, 2025**—through **December 30, 2025**.

During the past year and a half, I have faced a series of significant personal hardships that affected my ability to complete all four CPA Exam sections within the prescribed period:

- Since **July 2024**, my mother has suffered several **mini-strokes**, requiring **24-hour intensive care**. I have been financially and emotionally responsible for her well-being.
- In **March 2025**, my **mother-in-law** experienced a severe **knee injury** that required surgery and recovery, which I have also supported financially.

- I made an **international trip to Vietnam** to provide in-person care and coordination for both families, balancing these obligations with full-time work and limited study time.
- My **9-year-old daughter** has also struggled with my limited availability, as I often studied early mornings, late nights, and weekends to stay on track.
- Despite these circumstances, I **successfully passed all four CPA Exam sections**, with my final section, **FAR**, passed on **November 6, 2025**.
- My health has also been affected due to prolonged stress and overwork, resulting in frequent medical visits lately.

Even through these hardships, my dedication to the accounting profession has never diminished. I have always been passionate about working with numbers—analyzing data, providing accurate and meaningful financial information, and helping business leaders make informed decisions. Becoming a Certified Public Accountant is not only a professional goal but also a lifelong calling rooted in my love for precision, ethics, and service.

It would be an honor to be part of the CPA community and contribute my passion, discipline, and knowledge to the accounting industry in Florida. My perseverance through these challenges reflects my deep commitment to this profession and to maintaining the highest standards of integrity and excellence.

For these reasons, I respectfully request that the Board grant a **six-month extension of my REG credit through December 30, 2025**, to allow sufficient time for licensure application completion.

Please note that I have attached additional supporting information for your review. An index of these documents is included to assist you in evaluating my petition.

Thank you very much for your time, understanding, and consideration.

Respectfully submitted,



Hue Thi Thanh Le

RULE NO.: RULE TITLE:

61C-4.010 Sanitation and Safety Requirements

NOTICE IS HEREBY GIVEN that on November 24, 2025, the Florida Department of Business and Professional Regulation, Division of Hotels and Restaurants, received a petition for an Emergency Variance for paragraph 61C-1.004(2)(a), Florida Administrative Code, subsection 61C-4.010(7), Florida Administrative Code, subsection 61C-4.010(6), Florida Administrative Code, and Section 6-402.11, 2017 FDA Food Code from CG Retail LP. located in Miami. The above referenced F.A.C. addresses the requirement that at least one accessible bathroom on the same level be provided for use by customers and employees. They are requesting to utilize bathrooms located on a different level.

The Division of Hotels and Restaurants will accept comments concerning the Petition for 5 days from the date of publication of this notice. To be considered, comments must be received on or before 5:00 p.m.

A copy of the Petition for Variance or Waiver may be obtained by contacting: Daisy.Aleman@myfloridalicense.com, Division of Hotels and Restaurants, 2601 Blair Stone Road, Tallahassee, Florida 32399-1011.

DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

Board of Accountancy

RULE NO.: RULE TITLE:

61H1-28.0052 Number of Sittings, and Granting of Credit, Release of Grades and Completion of Examination, Transition Rules

NOTICE IS HEREBY GIVEN that on November 14, 2025, the Board of Accountancy, received a petition for variance or waiver filed by Hue Le. Petitioner seeks a variance or waiver of paragraph 61H1-28.0052(1)(b), F.A.C., regarding time requirements for passing the CPA Examination. Comments on this petition should be filed with the Board of Accountancy within 14 days of publication of this notice.

A copy of the Petition for Variance or Waiver may be obtained by contacting: Roger Scarborough, Division Director, Board of Accountancy, 240 NW 76th Dr., Suite A, Gainesville, Florida 32607, (352)333-2505 or by email, Roger.Scarborough@myfloridalicense.com.

DEPARTMENT OF HEALTH

Board of Pharmacy

RULE NO.: RULE TITLE:

64B16-27.797 The Standards of Practice for Compounding Sterile Products

NOTICE IS HEREBY GIVEN that on November 21, 2025, the Board of Pharmacy, received a petition for variance or waiver filed by Aqueelah Nasai, on behalf of UM Sylvester at Plantation Pharmacy. The Petitioner is seeking a variance or

waiver of Rule 64B16-27.797, F.A.C., which requires the standards of practice for compounding sterile products. Petitioner states that due to the constraints of the current facility, they are unable to fully comply with certain facility requirements for the controlled environment as described in the current USP 797/800. Comments on this petition should be filed with the Board of Pharmacy/MQA, 4052 Bald Cypress Way, Bin #C08, Tallahassee, Florida 32399-3258; within 14 days of publication of this notice.

A copy of the Petition for Variance or Waiver may be obtained by contacting: Traci Zeh, Executive Director, Board of Pharmacy, (850)245-4474; or at info@Floridaspharmacy.gov.

DEPARTMENT OF HEALTH

Board of Pharmacy

RULE NO.: RULE TITLE:

64B16-27.1001 Practice of Pharmacy

NOTICE IS HEREBY GIVEN that on November 14, 2025, the Board of Pharmacy, received a petition for variance or waiver filed by Randy Heiser, PharmD., on behalf of MCR Health, Inc. The Petitioner is seeking a variance or waiver of the requirement of subparagraph 64B16-27.1001(2)(c)(3), F.A.C., and Section 465.0276, F.S., regarding practice of pharmacy. Petitioner is the holder of a pharmacy permit and operates a medical practice that employs dispensing practitioners. Petitioner would like to utilize an alternative method to meet any applicable requirements under the above cited rule and statute if deemed applicable to a dispensing provider. Comments on this petition should be filed with the Board of Pharmacy/MQA, 4052 Bald Cypress Way, Bin #C08, Tallahassee, Florida 32399-3258; within 14 days of publication of this notice.

A copy of the Petition for Variance or Waiver may be obtained by contacting: Traci Zeh, Executive Director, Board of Pharmacy, (850)245-4474; or at info@Floridaspharmacy.gov.

DEPARTMENT OF HEALTH

Board of Pharmacy

RULE NO.: RULE TITLE:

64B16-27.797 The Standards of Practice for Compounding Sterile Products

NOTICE IS HEREBY GIVEN that on November 10, 2025, the Board of Pharmacy, received a petition for variance or waiver filed by Rosy Villavicencio-Morales, on behalf of UM Sylvester Comprehensive Cancer Center at Kendall. The Petitioner is seeking a variance or waiver of Rule 64B16-27.797, F.A.C., which requires the standards of practice for compounding sterile products. Petitioner states that due to the constraints of the current facility, they are unable to fully comply with certain facility requirements for the controlled environment as described in the current USP 797/800. Comments on this petition should be filed with the Board of

STATE OF FLORIDA
BOARD OF ACCOUNTANCY
MEETING OF THE BOARD

January 9, 2026

ENDORSEMENT CONSIDERATIONS AGENDA

Endorsement - Military Staff Approvals

Bennett, Rebecca

**BOARD OF ACCOUNTANCY
RULES REPORT
DECEMBER 2025**

Rule Number	Rule Title	Date Rule Language Approved by Board	Date Sent to OFARR	Rule Development Published	Notice Published	Adopted	Effective
61H1-20.0093	Rules of the Auditor General	10/03/2025	10/10/2025	10/21/2025	10/31/2025	12/09/2025	12/29/2025



Ron DeSantis, Governor
Melanie S. Griffin, Secretary

DEPARTMENT OF BUSINESS AND PROFESSIONAL
REGULATION
FLORIDA BOARD OF ACCOUNTANCY
EDUCATIONAL ADVISORY COMMITTEE MEETING
TELEPHONE CONFERENCE CALL

November 19, 2025

Minutes

I. Call to Order

The meeting was called to order at 9:01 a.m. by Dr. Martin Fennema, Chair.

II. Roll Call

The roll was called by Karan Lee, Management Review Specialist, reflecting the following attendance:

Committee Members Present:

Dr. Martin Fennema – Chair
Dr. Sean Dennis
Mr. Michael Kridel
Dr. Gary McGill
Dr. Mark Myring
Mr. Steven Platau
Dr. Gregory Trompeter

Committee Members Absent:

None

Staff Members Present:

Roger Scarborough, Director
Trecia Jenkins
Karan Lee
Barbara Whitney

Others Present:

Rachelle Munson, Senior Assistant Attorney General and Board Counsel
Kevin Green, Applicant

III. Ratification of Minutes from August 14, 2025

Motion was made by Dr. McGill and seconded by Dr. Trompeter to approve the minutes of the August 14, 2025, meeting. Upon vote, the motion passed unanimously.

IV. Individual Course Review

A. Caruthers, Tatum

Ms. Caruthers requested three (3) semester hours of upper-division accounting credit for ACCT 31012 – Accounting Cycle Analysis from Lindenwood University.

Motion was made by Dr. Trompeter and seconded by Dr. Dennis to deny three (3) semester hours of upper-division accounting credit ACCT 31012 – Accounting Cycle Analysis from Lindenwood University because the course content is lower level accounting. Upon vote, the motion passed unanimously.

B. Green, Kevin

Mr. Green requested three (3) semester hours of upper-division accounting credit for the following courses from Northeastern University:

ACCT 5201 – Foundations Financial Reporting and Analysis 1

Motion was made by Dr. Trompeter and seconded by Dr. Dennis to deny three (3) semester hours of upper-division accounting credit for ACCT 5201 – Foundations Financial Reporting and Analysis 1 from Northeastern University because the course content is lower level. Upon vote, the motion passed unanimously.

ACCT 5204 – Foundations Financial Reporting and Analysis 2

Motion was made by Dr. Trompeter and seconded by Dr. Dennis to approve three (3) semester hours of upper-division accounting credit for ACCT 5201 – Foundations Financial Reporting and Analysis 2 from Northeastern University. Upon vote, the motion passed unanimously.

C. Myers, Jazel Serame

Ms. Myers requested three (3) semester hours of graduate credit for the following courses from Louisiana State University (LSU):

MBA 710 – Accounting Fraud Detection Through Data Analytics

Motion was made by Dr. McGill and seconded by Dr. Trompeter to approve three (3) semester hours of graduate accounting credit for MBA 710 – Accounting Fraud Detection Through Data Analytics from LSU. Upon vote, the motion passed unanimously.

MBA 715 – Auditing Theory

Motion was made by Dr. Dennis and seconded by Dr. Trompeter to deny three (3) semester hours of graduate accounting credit MBA 715 – Auditing Theory from LSU because the course content is upper-division accounting, not graduate-level accounting. Upon vote, the motion passed unanimously.

V. University Course Review

A. Purdue Global University

Purdue Global University requested three (3) semester hours of graduate tax credit for AC 566 – Tax Research and Intro to International Taxation.

The Committee tabled the request and asked the university to provide:

- A more detailed course syllabus, including the chapters covered.
- An explanation as to why there is no prerequisite.
- Clarification regarding the type and number of credit hours being requested.

VII. Administrative Matters

A. Law and Rules (informational)

B. Executive Director/Licensing Supervisor Comments.

The Director informed the Committee that the FICPA filed a bill almost identical to the one submitted last year, which offers a pathway to licensure based on 120 semester hours and two (2) years of work experience. He indicated that the current pathways would remain in place, with this new option added. He noted that if the bill passes, they will likely bring the matter back to the Committee to consider whether to change the educational concentration requirements, given that individuals could become license with 120 semester hours instead of 150.

C. Set Future Meeting Date

February 3, 2026 @ 1:00 p.m.

VIII. Adjourn

The meeting was adjourned at 9:44 a.m.

A handwritten signature in black ink that reads "M.G. Fennema". The letters are cursive and somewhat stylized, with a prominent loop for the 'F'.

M.G. Fennema

**DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FLORIDA BOARD OF ACCOUNTANCY
COMMITTEE ON CONTINUING PROFESSIONAL EDUCATION**

December 8, 2025

CONFERENCE CALL

MINUTES

The meeting was called to order at 10:32 a.m. by Jason Lafser, Chair. The roll was called by Karan Lee reflecting the following:

Committee members present:

Jason Lafser – Chair
Maria Caldwell
Meagan Camp
Madeline Domino
Mindy Rankin
Sonia Singh
Alex Sueiro
Alex Welsh

Committee members absent:

None

Staff members present:

Karan Lee

Others present:

Rachelle Munson, Senior Assistant Attorney General and Board Counsel

Ratify Minutes from September 17, 2025, meeting.

Motion was made by Ms. Rankin and seconded by Ms. Camp to approve the minutes from the September 17, 2025, meeting. Upon vote, motion passed unanimously.

ETHICS

Consider Renewal Ethics Provider and Course Application.

a. **Tindall & Company**

1. The Practical Application of Accounting Ethics – Live Study – 4 CPE hours

Motion was made by Ms. Caldwell and seconded by Mr. Sueiro to approve the course listed above, contingent upon the provider's resubmission of the course with the updated Florida Laws and Rules . Upon vote, motion passed unanimously. The Committee agreed that when the updated course is submitted, Mr. Lafser, Chair, may review the course for approval.

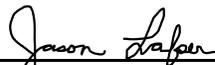
ADMINISTRATIVE MATTERS

- a. Laws and Rules (informational)
- b. Current Rule Changes
None
- c. Executive Director and/or Licensing Supervisor Remarks.
None
- d. Other Business

SET FUTURE MEETING DATE

March 25, 2026, at 10:30 a.m.

Meeting adjourned at 10:50 a.m.



Jason Lafser, Chair

2026 Committee Appointments

Probable Cause Panel	
Board Members	Other Members
Tracy Keegan (Chair)	Dave Dennis
Brent Sparkman	Mindy Rankin
William Benson	Maria Caldwell
Shireen Sackreiter	Dr. Martin "Bud" Fennema
William Blend	Dave Skup
Jason Lafser	Jesus Socorro

Rules Committee	
Board Members	Other Members
William Blend (Chair)	
Steve Platau	
Jason Lafser	
Tracy Keegan	
Brent Sparkman	
Michelle Maingot	
Carey Vasallo	

Education Advisory Committee	
Board Members	Other Members
Dr. Steve Platau	Dr. Martin "Bud" Fennema (Chair)
	Michael Kridel
	Dr. Gary McGill
	Dr. Mark Myring
	Dr. Gregory Trompeter
	Dr. Sean Dennis

CPE Committee	
Board Members	Other Members
Jason Lafser (Chair)	Mindy Rankin
	Maria Caldwell
	Madeline Domino (Acad.)
	Alex Welsh
	Alex Suerio
	Megan Camp
	Sonia Singh

Clay Ford Scholarship Committee	
Board Members	Other Members
William Benson (Chair)	Dr. Lynda Dennis
	Eduardo Duarte
	Luis Marquez
	Ashley Hill

Budget Task Force	
Board Members	Other Members
William Benson (Chair)	
Shireen Sackreiter	
Jason Lafser	
Michelle Maingot	
Carey Vasallo	

PROC	
Board Liaison	Other Members
William Blend	L. Thomas Cox (Chair)
	Richard Cristini
	David Logan

Legend
Statutorily Defined
 *New for 2026
 Pending Confirmation

Melanie S. Griffin, Secretary

Ron DeSantis, Governor

TO: Board of Accountancy
FROM: Roger Scarborough, Executive Director
SUBJECT: Delegation of Authority
DATE: January 9, 2026

We have prepared the table below with options for reserving authority to the full Board or delegating authority to the Board Chair, a Board Committee or Committee Chair, the Executive Director or Board Staff and to Board Counsel or the Chief Prosecutor. These can be changed, as the Board deems appropriate.

I am recommending these delegated authorities remain in effect until a subsequent Board action revokes or revises them.

Situation	Reserve Authority to Full Board	Delegate to Board Chair	Delegate Authority to a Committee, or Committee Chair	Delegate Authority to the Executive Director or Board Staff	Delegate Authority to Board Counsel, Chief Prosecutor
1. Authority to approve examination and licensure applications that meet the statutory and rule requirements. This allows staff to submit applicant names to testing as soon as it is verified that the applicant has met the criteria and to issue the license once examinations and other requirements are complete.				Board Staff	
2. Authority to apply the convictions guidelines outlined in Exhibit A.				Board Staff	
3. Authority to grant continuances for disciplinary cases appearing before the probable cause panel.			Probable Cause Chair		
4. Authority to grant continuances for disciplinary cases appearing before the full Board.		Board Chair			
5. Authority to sign Board legal orders.				Executive Director	
6. Ability to verify compliance with CPE required in discipline cases.				Board Staff	
7. Authority to review and refer legally sufficient petitions to the Division of Administrative Hearings. Authority to notify petitioners by letter of legally insufficient petitions and the right to cure deficiencies.					Board Counsel

8. Authority to review and refer requests for hearing regarding discipline cases to Division of Administrative Hearings. Authority to notify petitioners by letter of legally insufficient requests for hearing regarding disciplinary cases and the right to cure deficiencies					Chief Prosecutor
9. Authority to review and refer legally sufficient petitions to the Board. Authority to notify petitioners, by letter, of the need to submit any required additional information prior to consideration by the Board. Authority to notify petitioners, by letter, of legally insufficient petitions					Board Counsel
10. Authority to make technical Board changes to proposed rules and Counsel respond to JAPC comments, without prior Board review. Substantive changes will be brought to the Board before changes are made.					Board Counsel
11. Authority to review and approve ethics CE providers. Ratified at the next board meeting.			CPE Committee		
12. Authority to accept service of process				Executive Director	
13. Authority to approve for question #5 only, when an applicant responds in the affirmative to background question #5 regarding holding out or practicing public accountancy in the state of Florida on Licensure by Endorsement Applications				Executive Director	
14. Authority to close any case when a respondent is subsequently determined to be deceased.					Chief Prosecutor
15. Authority to conditionally approve a request for reinstatement of null and void license.	Full Board				
16. Approve Voluntary Relinquishments for licenses without any current or pending disciplinary issues or investigations				Executive Director	

17. Authority to approve for question #4 only, when an applicant responds in the affirmative to background question #4 on the initial application regarding voluntarily surrendering or relinquishing an out-of-state license, <i>not resulting from disciplinary action</i> , on Licensure by Endorsement Applications				Executive Director	
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Include Exhibit A. – Convictions Guidelines

Exhibit A:

Convictions Guidelines

Attachment to Delegations of Authority Effective Sept 23, 2022

Note: For the purposes of this document, the following types of dispositions are all treated as convictions: guilty, adjudication withheld, nolo contendere

When reviewing criminal history issues for examination and licensure applications, CPA Division Staff have the authority to approve an application that includes convictions for the following types of crimes:

- Any single or multiple misdemeanors, committed 10 years or more prior to the application, which have been resolved with all sanctions satisfied.
- Any single conviction committed less than 10 years prior to the application, which has been resolved with all sanctions satisfied, from the following types of crimes:
 - Traffic offenses that do not result in injury or property damage
 - Driving on a suspended/revoked/cancelled/delinquent license
 - Possession of false identification
 - Underage drinking
 - Animal control issues
 - Boat registration issues
 - Open container and public intoxication
 - Disorderly conduct
 - Trespassing
 - Insufficient funds
 - Public nuisance
 - Driving Under the Influence (DUI).
 - Reckless driving.

Division Staff shall refer to the Board applications that include convictions for:

- Any felonies
- Any financial conviction, excluding insufficient funds.
- Multiple convictions of which the most recent conviction is less than 10 years old.

If in doubt, the Division staff is encouraged to consult DBPR legal staff or the Board and its counsel regarding any conviction(s) that may require Board consideration.



Professional Ethics Division

Exposure draft:

Proposed revisions related to alternative practice structures

December 29, 2025

Comments are requested by April 30, 2026

ethics-exposedraft@aicpa.org



Standard-setting

Invitation to comment

December 29, 2025

Are you interested in the ethics of the accounting profession? If so, we want to hear your thoughts on this ethics exposure draft. Your comments are integral to the standard-setting process, and you don't need to be an AICPA member to participate.

This proposal is part of the AICPA's Professional Ethics Executive Committee's (PEEC's) effort to provide guidance for alternative practice structures arising from the increase in private equity investments in accounting firms.

This exposure draft explains proposed revisions to the AICPA Code of Professional Conduct and includes the full text of the guidance under consideration.

At the conclusion of the exposure period, PEEC will evaluate the comments and determine whether to publish the new and revised interpretations.

Again, your comments are an important part of the standard-setting process — please take this opportunity to comment. We must receive your response by April 30, 2026. All written replies to this exposure draft will become part of the public record of the AICPA. During the comment period, staff will present a Lunch-and-Learn session to review the proposed guidance and answer any questions.

Please email your comments to ethics-exposedraft@aicpa.org.

Sincerely,



Anna Dourdourekas, Chair
Professional Ethics Executive Committee



Toni Lee-Andrews, Director, CPA, PFS, CGMA
Professional Ethics Division

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Explanation of the new interpretation and revised definition and interpretations

The Professional Ethics Executive Committee (PEEC) is exposing the following for comment:

- A new version of the “Alternative Practice Structures” interpretation (ET sec. 1.220.020)¹ of the “Independence Rule” (ET sec. 1.200.001) to replace the current interpretation in its entirety
- Revisions to the definition of *network firm* (ET sec. 0.400.36)
- Revisions to the “Alternative Practice Structures” interpretation (ET sec. 1.810.050) of the “Form of Organization and Name Rule” (ET sec. 1.800.001)
- Revisions to the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010)
- Revisions to the “Conceptual Framework for Members in Public Practice” interpretation (ET sec. 1.000.010)

Background

1. In the late 1990s, PEEC recognized that due to the evolving landscape of public accounting practices, specific guidelines were necessary to maintain integrity and independence when providing attest services while practicing in an alternative practice structure (APS). In 2000, the “Alternative Practice Structures” interpretations of the “Independence Rule” and of the “Form of Organization and Name Rule” were adopted into the AICPA Code of Professional Conduct (code).
2. In November 2022, PEEC appointed a task force to evaluate whether the nature of private equity (PE) investments in the nonattest entity of an APS (APS with PE) necessitates revisions to the code — either through amended or new interpretations — or issuance of nonauthoritative guidance. The task force comprises members practicing within APSs (with private and public investors), members from traditional firm structures, an attorney, representatives from the National Association of State Boards of Accountancy (NASBA), representatives from regulatory bodies, a representative from a technical committee, and staff of the AICPA ethics division. The task force evaluated the current provisions in the code, including the “Alternative Practice Structures” interpretation of the “Independence

¹ All ET sections can be found in the [AICPA Code of Professional Conduct](#).

Rule,” to determine their appropriateness and sufficiency for these structures.

Evaluation

3. PEEC determined that revisions to the code are necessary. Evolving APSs, including APSs with PE, have fundamental differences from the APS contemplated by the existing interpretation under the “Independence Rule.” These distinctions may affect how a member assesses the significance of threats to independence. Differences include the following:

Existing interpretation	APS with PE
Presents an APS in which a public company controls ² the nonattest entity.	The investor may or may not control the nonattest entity.
Assumes the public investor not only controls the nonattest entity but also controls the “other public company entities.” ³	This may not be the case in an APS with PE or in another structure when an investor has significant influence over but does not control the nonattest entity and other investees. For example, the other portfolio companies in which the PE investor has holdings may or may not be in the same fund as the nonattest entity, and the PE investor may have less than control over them. Additionally, the other funds and portfolio companies may be managed and advised by different general partners, fund managers, and investment advisers.
Defines “other public company entities” as those that “...include the public company and all entities consolidated in the public company financial statements...”	The entities subject to consolidation may vary.

² ET section 0.400.12.

³ ET section 1.220.020.04e.

4. In addition to these structural differences, the code has been revised since the adoption of the “Alternative Practice Structures” interpretation of the “Independence Rule” as follows:
 - The “Network and Network Firms” interpretation (ET sec. 1.220.010), and related definitions of *network*⁴ and *network firm*,⁵ were adopted into the code several years after the “Alternative Practice Structures” interpretation. According to that interpretation, when the attest firm and nonattest entity are network firms, the nonattest entity should be independent of the attest firm’s financial statement audit and review clients.
 - The *covered member*⁶ definition was not fully adopted into the code when the “Alternative Practice Structures” interpretation was drafted. Specifically, individuals who meet the definition of an *individual in a position to influence the attest engagement*⁷ may also meet the definition of “direct superior” or “indirect superior” as defined in the “Alternative Practice Structures” interpretation. While “direct superiors” and entities over which they can exercise *significant influence*⁸ must comply with the “Independence Rule,” “indirect superiors” currently are subject to only certain interpretations.
5. In evaluating potential changes to the existing “Alternative Practice Structures” interpretation, PEEC reviewed other interpretations of the “Independence Rule,” such as those related to financial interests, business relationships, loans, client affiliates, and mergers and acquisitions. PEEC sought to identify where threats to independence are more significant in an APS than those addressed through existing interpretations of the “Independence Rule.”
6. Based on its evaluation, PEEC is proposing a new “Alternative Practice Structures” interpretation of the “Independence Rule” as well as revisions to other interpretations and one definition. The new interpretation of the “Independence Rule” will address APSs broadly, including APSs with PE.
7. Additionally, PEEC reviewed and considered guidance from other standard-setting organizations and regulators — such as the International Ethics Standards Board for Accountants (IESBA), the SEC, and various state boards of accountancy — that have

⁴ ET section 0.400.35.

⁵ ET section 0.400.36.

⁶ ET section 0.400.14.

⁷ ET section 0.400.25.

⁸ ET section 0.400.49.

addressed independence considerations when an attest firm operates within an APS.

8. PEEC evaluated other rules within the code and is developing nonauthoritative guidance to assist members in applying the “Independence Rule” and the following rules and their interpretations when practicing in an APS:
 - The “Integrity and Objectivity Rule” (ET sec. 1.100.001)
 - The “Advertising and Other Forms of Solicitations Rule” (ET sec. 1.600.001)
 - The “Confidential Client Information Rule” (ET sec. 1.700.001)
 - The “Form of Organization and Name Rule” (ET sec. 1.800.001)
9. PEEC continues to evaluate whether the following rules should be applicable to the nonattest entity in an APS and does not address these in this exposure draft:
 - “Contingent Fees Rule” (ET sec. 1.510.001)
 - “Commissions and Referral Fees Rule” (ET sec. 1.520.001)

Outreach and stakeholder engagement

10. The task force issued a discussion memorandum, “Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures,” in March 2025 and solicited feedback through June 2025. The discussion memorandum focused on potential revisions to the “Alternative Practice Structures” interpretation of the “Independence Rule.” Thirty-six comment letters were received from various stakeholders, including state boards, state societies, firms in APSs, traditional firms, representatives from academia, and NASBA. PEEC considered these responses in developing this exposure draft.
11. The task force also met with and sought feedback from various stakeholders, attorneys specializing in PE transactions, CEOs and independence leadership from firms that operate in an APS, auditors of PE structures, insurance liability carriers, state CPA societies, state boards, IESBA, and NASBA.

Proposed new “Alternative Practice Structures” interpretation (ET sec. 1.220.020)

12. Parenthetical references throughout this explanatory material are references to the paragraphs in the proposed interpretation.
13. Paragraph .01 of the proposed interpretation clarifies that the “Alternative Practice Structures” interpretation is to be used in conjunction with the other interpretations of the

“Independence Rule;” it is not a “standalone” interpretation and does not include every independence requirement for members practicing in an APS.

Structure of an APS

14. An APS must have certain characteristics to be structured in compliance with jurisdictional laws and regulations, which are referred to in the beginning of the proposed new “Alternative Practice Structures” interpretation of the “Independence Rule.” PEEC encourages members to consult an attorney or other specialist who might be able to assist members in navigating applicable laws and regulations (.02–.03).

Terminology

15. The terminology section (.04) introduces terms defined solely for the purpose of applying the interpretation.

16. An “alternative practice structure” (.04a) is defined broadly to reflect the substance of the form of organization — one in which a firm that provides attest services (attest firm) is closely aligned with another public or private entity, partly or wholly owned by an investor or investors, that performs professional services other than attest services (nonattest entity).

17. “Closely aligned” (.04b) is defined to describe the relationship between the attest firm and the nonattest entity. The dependency of the attest firm on the nonattest entity is what provides the basis for treating the nonattest entity the same as the attest firm for independence purposes.

18. The term “investor” (.04c) is used to broaden application across various APSs and to incorporate any individual or entity that has a *financial interest*⁹ in the nonattest entity, including an individual, PE firm, partnership, corporate entity, or other type of investor. The interpretation specifies when it is necessary to identify whether an investor has less than significant influence, significant influence, or control over the nonattest entity.

19. A “significant influence investment” (.04d) exists when an investor has significant influence over the nonattest entity but not control. More than one investor may have significant influence over the nonattest entity. If more than one investor has significant influence over the nonattest entity, the member will apply the APS guidance to each investor.

20. *Significant influence*, defined in the code,¹⁰ is based on FASB Accounting Standards

⁹ **Financial interest.** An ownership interest in an equity or a debt security issued by an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest (ET sec. 0.400.17).

¹⁰ ET section 0.400.49.

Codification (ASC) 323-10-15. Ownership of 20 percent or more of the investee's voting stock generally presumes significant influence. The ability to exercise significant influence also may exist in other ways, such as through board representation, participation in policy-making decisions, material intra-entity transactions, interchange of managerial personnel, technology dependency, and concentration of other shareholdings.

21. A "controlling investment" (.04e) exists when an investor has control over the nonattest entity. *Control*, defined in the code,¹¹ is as used in FASB ASC 810, *Consolidation*. It is the direct or indirect ability to determine the direction of management and policies through ownership, contract, or otherwise, including qualitative factors. The assessment includes consideration of the following:

- Ownership of a majority voting interest
- Contractual arrangements that grant decision-making authority
- Other mechanisms that allow one entity to direct the activities of another
- Veto rights of a minority shareholder

22. "Key stakeholders of the investor" (.04f) is defined as individuals who represent or act on behalf of an investor; such stakeholders could include owners, managing partners, founders, or principals. These individuals may have the authority to appoint members to the nonattest entity board. When these individuals are involved in activities related to the nonattest entity such as advising on the strategic direction of the nonattest entity or appointing nonattest entity board members, relationships they have with attest clients may create threats to independence.

23. "Upstream entities of the nonattest entity" (.04g.) are defined as those entities above the nonattest entity through the investor (.04c.) that have at least significant influence over the nonattest entity. The nonattest entity is not independent of these upstream entities due to the investment in the nonattest entity. For example, in an APS with PE when the investor has at least significant influence over the nonattest entity, this includes the fund (or funds that collectively have at least significant influence over the nonattest entity), the investment adviser, the general partner, and the PE firm. Entities with less than significant influence over the nonattest entity (for example, limited partners and shareholders) are not upstream entities for the purpose of this definition.

¹¹ ET section 0.400.12.

Characteristics of an APS

24. Common characteristics of an APS are outlined in paragraph .05 of the proposed interpretation. These characteristics have been observed across different APSs with different types of investors; however, these characteristics are not necessarily representative of every APS. A variation of one or more of these characteristics may affect the significance of threats to independence.

APS models

25. PEEC presents three APS models in the proposed interpretation after paragraphs .06 and .07: one broadly applicable to any APS, one applicable to an APS with PE, and one applicable to an APS with a public company investor. PEEC intends to describe other APS models in nonauthoritative guidance.

Network firms

26. PEEC is proposing revisions to the definition of *network firm*¹² as described in paragraphs 68–70 of this explanatory material. These revisions include (a) removing the inclusion of entities “under common control” with a network firm, and (b) adding a requirement that a controlling entity also be cooperating with the network firm for the purpose of enhancing the network firm’s capabilities to provide professional services before the controlling entity is considered a network firm. The new requirement in (b) is the first characteristic of a *network*, as set forth in the definition of *network*, and is a precondition for a network relationship to exist. PEEC also believes that the proposed revisions are appropriate and would result in consistent treatment for both an APS and a traditional accounting network. The proposed APS interpretation incorporates additional independence requirements for entities within an APS, which PEEC believes are necessary because of the close alignment of the attest firm and nonattest entity in an APS.

27. PEEC’s conclusions regarding network firms in an APS are presented in paragraphs .09–.14 of the interpretation. Under the interpretation, the first step is to determine which entities are included in the attest firm’s network based on the definition of *network* (.09–.11). Then, the attest firm should determine which entities are brought into the network through the definition of *network firm* (i.e., those entities that the network firm can control, or that control the network firm and cooperate with the network firm for the purpose of enhancing the network firm’s capabilities to provide professional services) (.12–.13).

28. PEEC has concluded and the interpretation reflects that the attest firm and nonattest entity are network firms because they cooperate for the purpose of enhancing the firms’

¹² References to the definition of *network firm* used throughout this exposure draft are to the proposed revised definition in this exposure draft unless stated otherwise.

capabilities to provide professional services and share one or more of the characteristics as described in the definition of *network* (.09). Independence requirements for this relationship are described in detail in paragraphs 36–37 of this explanatory material and in paragraph .14 of the interpretation.

29. In addition to evaluating any other relationships with entities that may create a network, the relationship between the attest firm and an investor with significant influence or control over the nonattest entity should be evaluated to determine whether the investor is part of the attest firm's network (.10). As noted, the first characteristic of a *network*¹³ is that one or more firms "...cooperate for the purpose of enhancing the firms' capabilities to provide professional services" (cooperation characteristic). This characteristic must be met before considering whether the attest firm and the investor share one or more of the additional characteristics outlined in the definition of a *network* (for example, common business strategy). Characteristics reflecting that such cooperation does not exist and factors to consider when evaluating whether cooperation may exist are included in paragraphs 32–33 of this explanatory material.
30. When evaluating whether a potential network relationship exists with an investor or any other entity, the attest firm should make the determination based on the relationship between the attest firm and the entity being evaluated (.11). The exception to this is when applying the definition of *network firm* as described in paragraph 31 of this explanatory material and paragraphs .12–.13 of the interpretation.
31. After network relationships of the attest firm are determined by applying the definition of *network*, the definition of *network firm* should be applied to determine which additional entities are part of the network because they are either a) controlled by a network firm or b) control a network firm and cooperate with that network firm to enhance the network firm's capabilities to provide professional services (.12–.13). In the case of a controlling investor that cooperates with the nonattest entity for the purpose of enhancing the network firm's capabilities to provide professional services, the controlling investor would be considered a network firm even if it did not meet any other characteristics of the definition of *network*; this is because it would meet the definition of *network firm* as described in paragraphs 26 and 70 of this explanatory material. Specifically, in the circumstance described, the investor controls the nonattest entity (i.e., a network firm) and cooperates with that nonattest entity to enhance the nonattest entity's capabilities to provide professional services.
32. An investor with significant influence or control over the nonattest entity does *not* meet the cooperation characteristic when applying the definitions of *network* or *network firm* when the

¹³ ET section 0.400.35.

investor does *not* provide *professional services*¹⁴ and the investor's activities are limited to

- investing in the nonattest entity and
- advising on budgetary or strategic direction of the attest firm.

33. Examples of factors to consider when determining whether an entity (including an investor whose activities are not limited to those in paragraph 32 of this explanatory material) meets the cooperation characteristic when applying the definitions of *network* or *network firm* are as follows:

- Whether the entity is involved in or facilitates the attest firm's or network firm's provision of professional services
- Whether the entity assists or collaborates with the attest firm or network firm in providing professional services, with or without a formal agreement
- Whether the entity performs any functions for or provides resources to the attest firm or network firm relating to the delivery of professional services

34. Controlled acquisitions of the nonattest entity are network firms based on the definition of a *network firm* because they are controlled by a network firm (i.e., the nonattest entity) (.12).

35. Diagrams A, B, and C, which follow, depict (respectively) the steps for determining whether an entity is in the attest firm's network in an APS based on the definitions of *network* and *network firm*, application of the definition of *network firm* when a controlling investor is not a network firm, and application of the definition of *network firm* when a controlling investor is a network firm:

¹⁴ ET section 0.400.43.

Diagram A

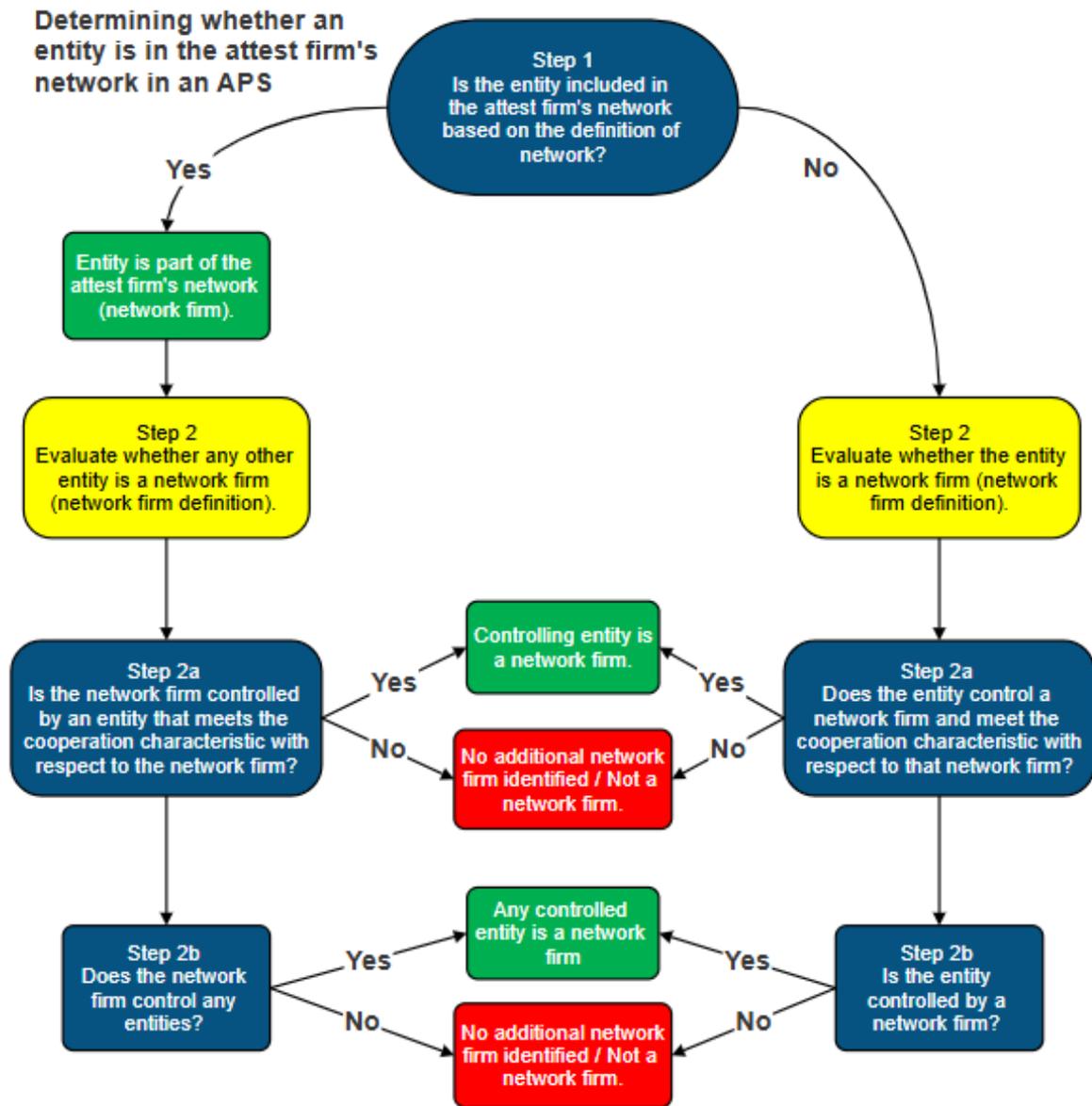


Diagram B

Controlling investment when investor does not meet cooperation characteristic with respect to nonattest entity. This example only evaluates the investor. Other entities may be network firms subject to evaluation.

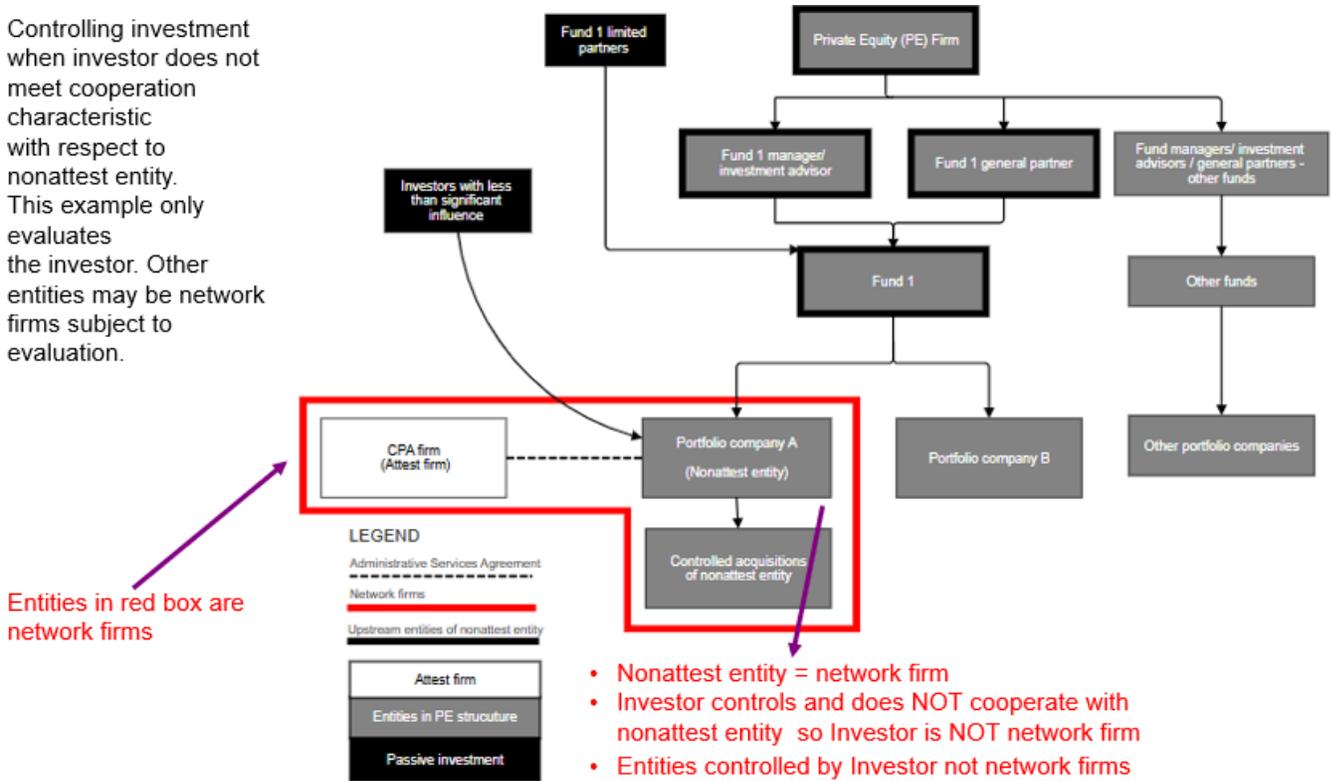
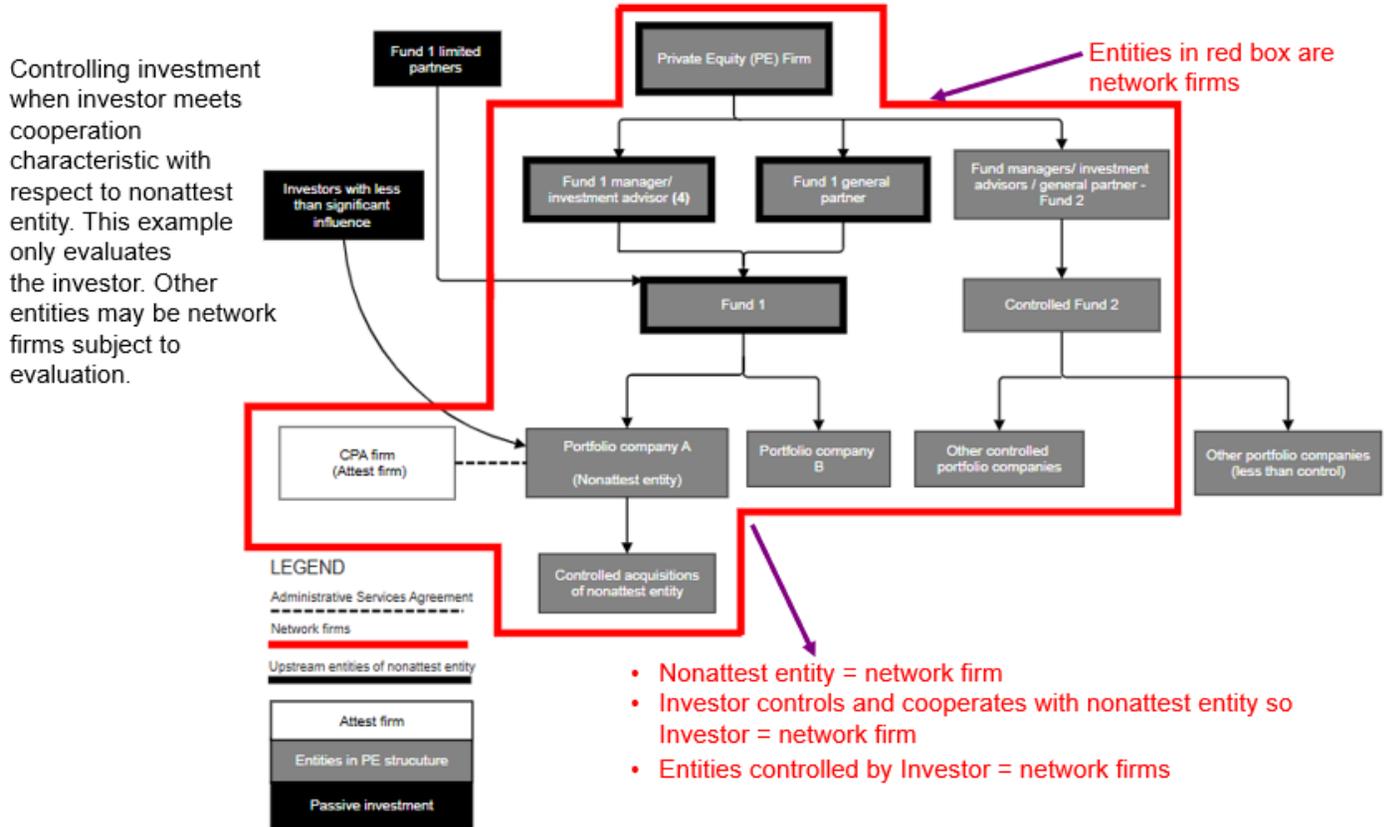


Diagram C



36. The “Network and Network Firms” interpretation requires network firms to comply with the “Independence Rule” and its interpretations with respect to financial statement audit and review clients, including any prohibitions on providing nonattest services as set forth in the “Nonattest Services” subtopic.¹⁵ Certain exceptions apply for network firms within the “Network and Network Firms” interpretation and other interpretations; these exceptions are as follows:

- Network firms are not required to comply with the “Independence Rule” and its interpretations for engagements subject to the Statements on Standards for Attestation Engagements (SSAEs) unless the covered member knows or has reason to believe threats are created by another network firm’s interests and relationships.¹⁶

¹⁵ ET section 1.295

¹⁶ ET section 1.220.010.04.

- A member is not required to take specific steps to evaluate conflicts of interests of other network firms under the “Conflicts of Interest for Members in Public Practice” interpretation.¹⁷
- A covered member is not required to include fees from attest and nonattest services of network firms when calculating total fees related to fee dependency under the “Fee Dependency” interpretation.¹⁸
- A member is not required to consider the possible threats to independence created due to the provision of nonattest services by other network firms when considering the cumulative effect of providing multiple nonattest services to an attest client under the “Cumulative Effect on Independence When Providing Multiple Nonattest Services” interpretation.¹⁹

37. The network firm relationship between the attest firm and nonattest entity in an APS is more closely aligned²⁰ than network firms in a traditional network of accounting firms due to the attest firm’s relationship with, and dependency on, the nonattest entity. For example, in an APS, attest partners and professional staff are employees of the nonattest entity, and the attest firm relies on the nonattest entity for professional resources; this level of dependency generally does not exist in a traditional network of accounting firms. Therefore, PEEC believes the nonattest entity, including entities controlled by the nonattest entity, should be subject to the same independence requirements as the attest firm. Other network firms are not affected by this extended requirement. The effect of the extended requirement means that the exceptions noted in paragraph 36 of this explanatory material do not apply to the nonattest entity and entities it controls (.14).

Covered members

38. Members are expected to apply the *covered member* definition when evaluating independence and to apply the “Independence Rule” and its interpretations to such individuals and entities.
39. The *covered member* definition includes *an individual in a position to influence the attest engagement*. In an APS, this may include individuals who
- evaluate the performance or recommend the compensation of the attest engagement

¹⁷ ET section 1.110.010.08.

¹⁸ ET section 1.230.040.02.

¹⁹ ET section 1.295.020.04.

²⁰ Closely aligned as defined in the Terminology section of the proposed interpretation (paragraph .04c).

partner; or

- directly supervise or manage the attest engagement partner, including all successively senior levels above that individual through the firm’s chief executive.

40. In an APS, covered members may exist in the attest firm, nonattest entity, or in other entities in the investor’s structure (.15–16.). Since covered members may exist outside the attest firm and nonattest entity, PEEC believes including specific examples of who meets the *covered member* definition, or who should be evaluated under the *covered member* definition, will remove any ambiguity and promote consistency in practice. Nonattest entity board members who have the authority to approve the compensation of the attest firm partners at the individual level meet the first bullet in paragraph 39 of this explanatory material and are, therefore, covered members²¹.

41. Members should evaluate other relevant individuals to determine if they meet the definition of *covered member*, including the following:

- Board members of the nonattest entity who do not have the authority to approve the compensation of the attest firm partners at the individual level (.16a.).
- Individuals in the nonattest entity who directly supervise or manage the attest engagement partner, including all successively senior levels above the attest engagement partner through the chief executive or equivalent of the nonattest entity. PEEC determined that these individuals should be evaluated to determine whether they meet the *covered member* definition (versus stating they meet the *covered member* definition in the proposed interpretation) because of the possibility that a chief executive of the nonattest entity is not in an attest partner’s chain of command (.16b.).

Relationships with individuals and entities that may create threats to independence

42. PEEC recognizes that APSs continue to evolve; therefore, a “one-size-fits-all” set of rules is not appropriate. However, there are some relationships that, if present, PEEC has concluded will impair independence; these are specifically covered in the proposed interpretation. Because scenarios may arise in which facts and circumstances vary, members will still be required to use professional judgment when applying the APS guidance. Paragraph .18 of the interpretation describes relationships and circumstances

²¹ PEEC’s “White Paper, Independence Rules Modernization Project” concluded that individuals who actively participate in compensation decisions for specific attest engagement partners are covered members.

when independence is impaired. Paragraph .20 of the interpretation provides examples of relationships and circumstances when, if the attest firm knows or has reason to believe the relationship or circumstance exists, the conceptual framework approach should be applied to evaluate whether the relationship or circumstance would lead a reasonable and informed third party who is aware of the relevant information to conclude that there is a threat to independence that is not at an acceptable level.²²

Relationships that impair independence

43. After a member determines network firms (.09–.14) and covered members (.15–.16) and applies the “Independence Rule” and its interpretations to the respective individuals and entities, members should determine which relationships and circumstances exist in an APS beyond the scope of covered member and network firms that create threats to independence. Independence requirements that extend beyond those required for covered members and network firms are based on the close alignment of the attest firm and nonattest entity. The public interest principle recognizes that members may face conflicting pressures and obliges members to act with integrity, “... guided by the precept that when members fulfill their responsibility to the public, clients’ and employers’ interests are best served.”²³ PEEC believes that there is at least a perceived greater undue influence threat²⁴ to independence in an APS where an investor has input into strategic and budgetary decisions of the attest firm which may affect a member’s objectivity and independence²⁵ even when an investor is not a network firm.

44. The relationships and circumstances that impair independence may differ based on the level of investment of the investor in the nonattest entity (that is, less than significant influence, significant influence, or control). These circumstances are described in paragraphs 45–57 of this explanatory material and outlined in paragraph .18a–d. of the interpretation.

Less than significant influence, significant influence, or controlling investment by investor

45. At this time, PEEC is unaware of a nonattest entity in an APS with PE that has become a publicly traded entity; however, PEEC believes that if such a nonattest entity becomes a publicly traded entity in the future, independence would be impaired if an attest client has a direct financial interest in the nonattest entity due to the close alignment of the attest firm and nonattest entity (.18c.). This includes an attest client that has any direct financial interest in the nonattest entity, or the attest client’s officers or directors of record or beneficial

²² ET section 1.210.010.01.

²³ ET section. 0.300.030.03.

²⁴ ET section 1.210.010.18.

²⁵ ET section 0.300.050.

owners of more than 5 percent of the equity securities of the nonattest entity. This prohibition is consistent with the SEC’s Rule 2-01(c)(1)(iv)(A).

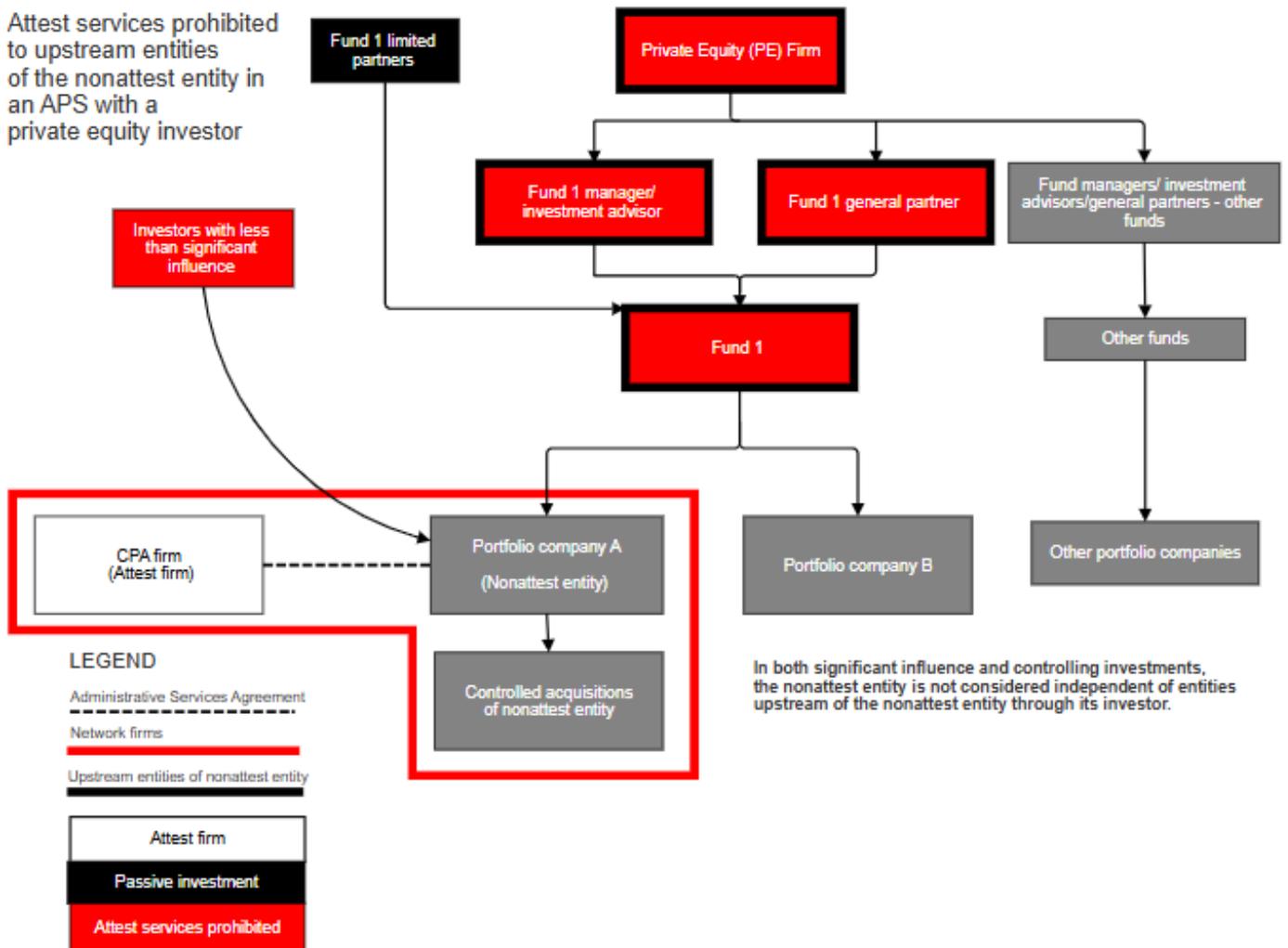
Significant influence or controlling investment by investor

46. In a significant influence investment or controlling investment, when the investor is a network firm, partners and professional employees of the investor would be required to comply with the interpretations of the “Independence Rule” applicable to network firms, including within the “Current Employment or Association with an Attest Client” subtopic.²⁶
47. When the investor is not a network firm, an undue influence threat to independence still exists that is not at an acceptable level and cannot be reduced to an acceptable level with the application of safeguards if an individual who is a member of those charged with governance²⁷ over the nonattest entity is in a key position at an attest client of the attest firm (.18a.). The definition of *those charged with governance* includes both individuals and organizations.
48. In a significant influence investment or controlling investment, the nonattest entity is not considered independent of upstream entities of the nonattest entity through its investor even when such entities are not network firms. Because the nonattest entity is a network firm of the attest firm and is not considered independent of these upstream entities, independence will be impaired if the attest firm provides an attest service to any of those entities (.18b.). In an APS with a public company investor, this prohibition applies to upstream entities of the nonattest entity through the public company investor. The following diagrams depict this when the investor is a PE firm or a public company.

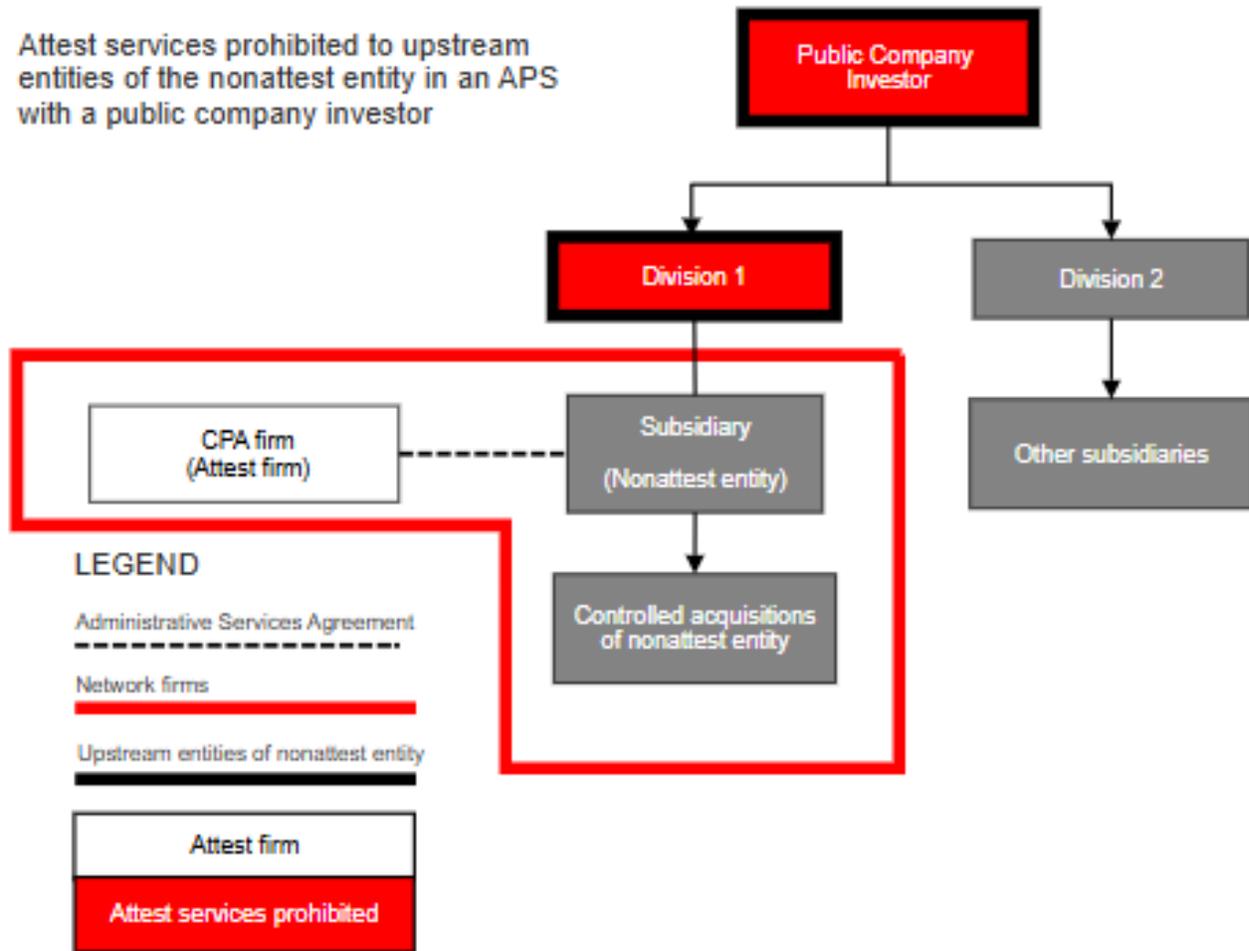
²⁶ ET section 1.275.

²⁷ ET section 0.400.53.

Attest services prohibited to upstream entities of the nonattest entity in an APS with a private equity investor



Attest services prohibited to upstream entities of the nonattest entity in an APS with a public company investor



49. In a significant influence investment or controlling investment, independence is impaired if an upstream entity of the nonattest entity is an affiliate²⁸ of a financial statement attest client of the attest firm (.18b.). This restriction is, in part, to align with the client affiliate interpretations²⁹ that require the attest firm and its network firms to be independent of a financial statement attest client and its affiliates. In cases where the nonattest entity is not independent of an affiliate of a financial statement attest client, independence will be impaired.

50. Paragraph .18b. of the interpretation also addresses the possibility of a financial statement

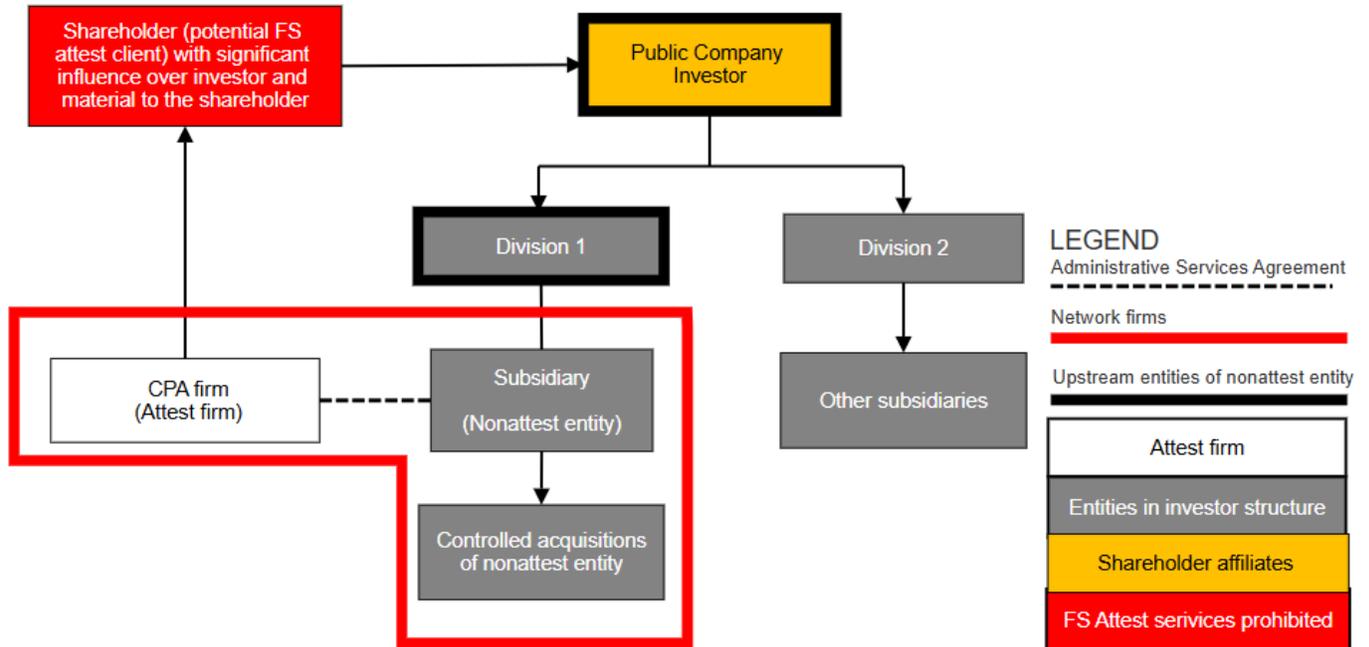
²⁸ ET section 0.400.02.

²⁹ The “Client Affiliates” interpretation (ET sec. 1.224.010) and the “State and Local Government Client Affiliates” interpretation (ET sec.1.224.020).

attest client investing in the same investor that has a financial interest in the nonattest entity or the investment vehicle that holds the investment in the nonattest entity. For example, if the investor is a PE firm, and the attest firm provides a financial statement attest service to a limited partner (LP) of the fund that holds the investment in the nonattest entity, independence is impaired if the LP interest allows the LP to exercise significant influence over the fund and is material to the LP. This is because the fund that holds the investment in the nonattest entity would be an affiliate of the LP,³⁰ the financial statement attest client, and the nonattest entity (a network firm) is not independent of the fund (that is, an upstream entity). The following diagram depicts this relationship in an APS with a public company investor where a potential financial statement attest client is a shareholder of the public company that invests in the nonattest entity. If the shareholder has significant influence over the public company and the investment is material to the shareholder, the public company would be an affiliate of the potential financial statement attest client. The next several paragraphs and diagrams provide additional examples of the conclusion in paragraph .18b. of the interpretation in various configurations.

³⁰ “An entity in which a *financial statement attest client* or an entity *controlled by the financial statement attest client* has a *direct financial interest* that gives the *financial statement attest client significant influence* over such entity and that is material to the *financial statement attest client*.” (ET sec. 0.400.02b.).

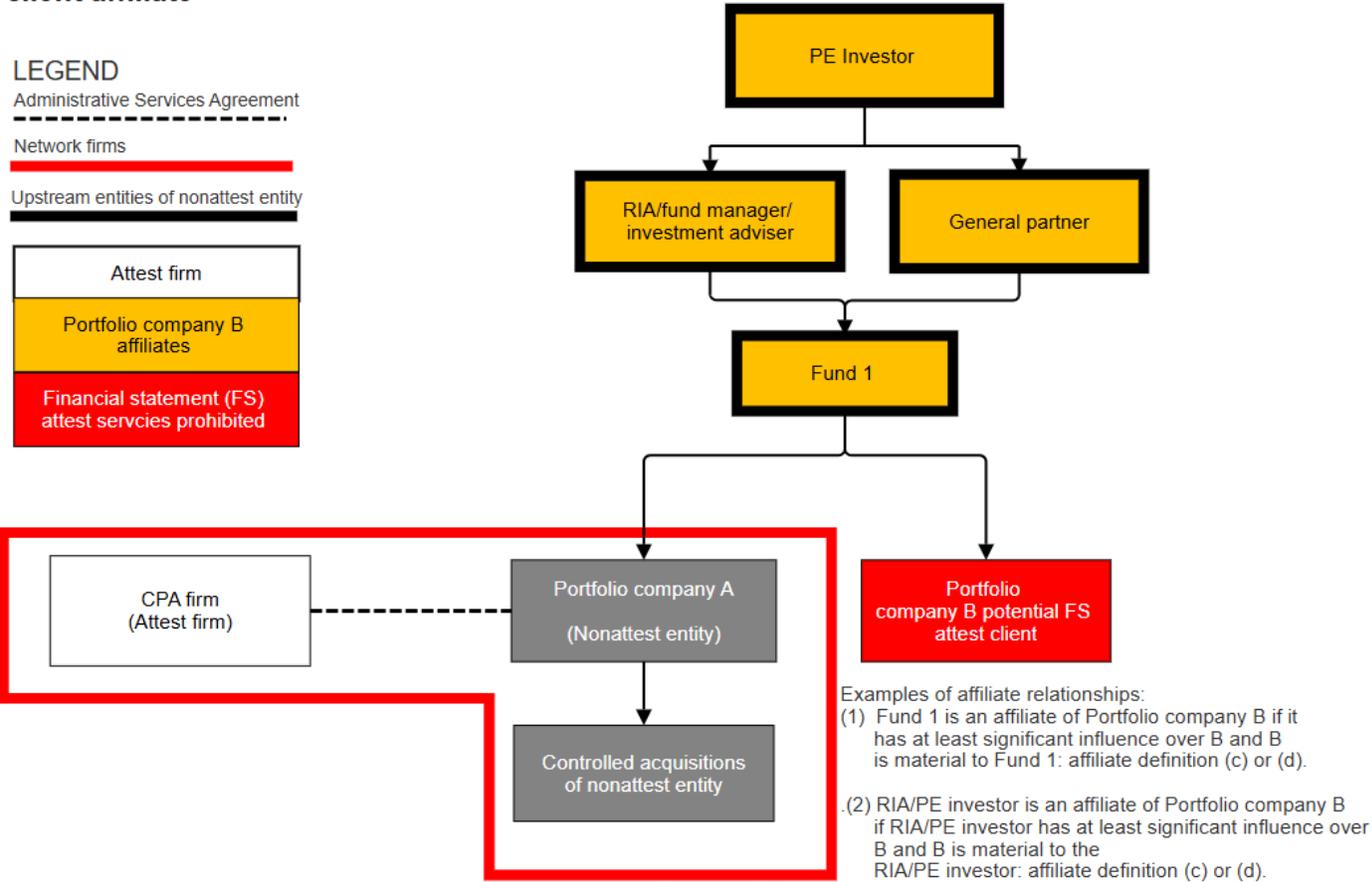
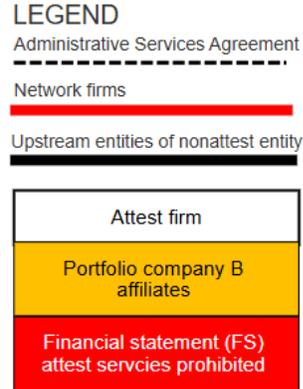
**Significant influence or controlling investment:
attest client invests in investor**



51. *Fund is client affiliate.* Following is an example of the conclusion described in paragraph 49 of this explanatory material in a significant-influence investment in which the potential financial statement attest client is a portfolio company in the same fund as the nonattest entity:

- Portfolio Company B is a potential financial statement attest client and is in the same fund (Fund 1) as the nonattest entity.
- Fund 1 is an affiliate of Portfolio Company B because Fund 1 has significant influence over Portfolio Company B and Portfolio Company B is material to Fund 1.
- The nonattest entity is not considered to be independent of Fund 1, which is an upstream entity of the nonattest entity.
- The attest firm cannot provide financial statement attest services to Portfolio Company B since the nonattest entity is not independent of an affiliate (that is, Fund 1) of the financial statement attest client (that is, Portfolio Company B).

Significant influence investment: fund is client affiliate

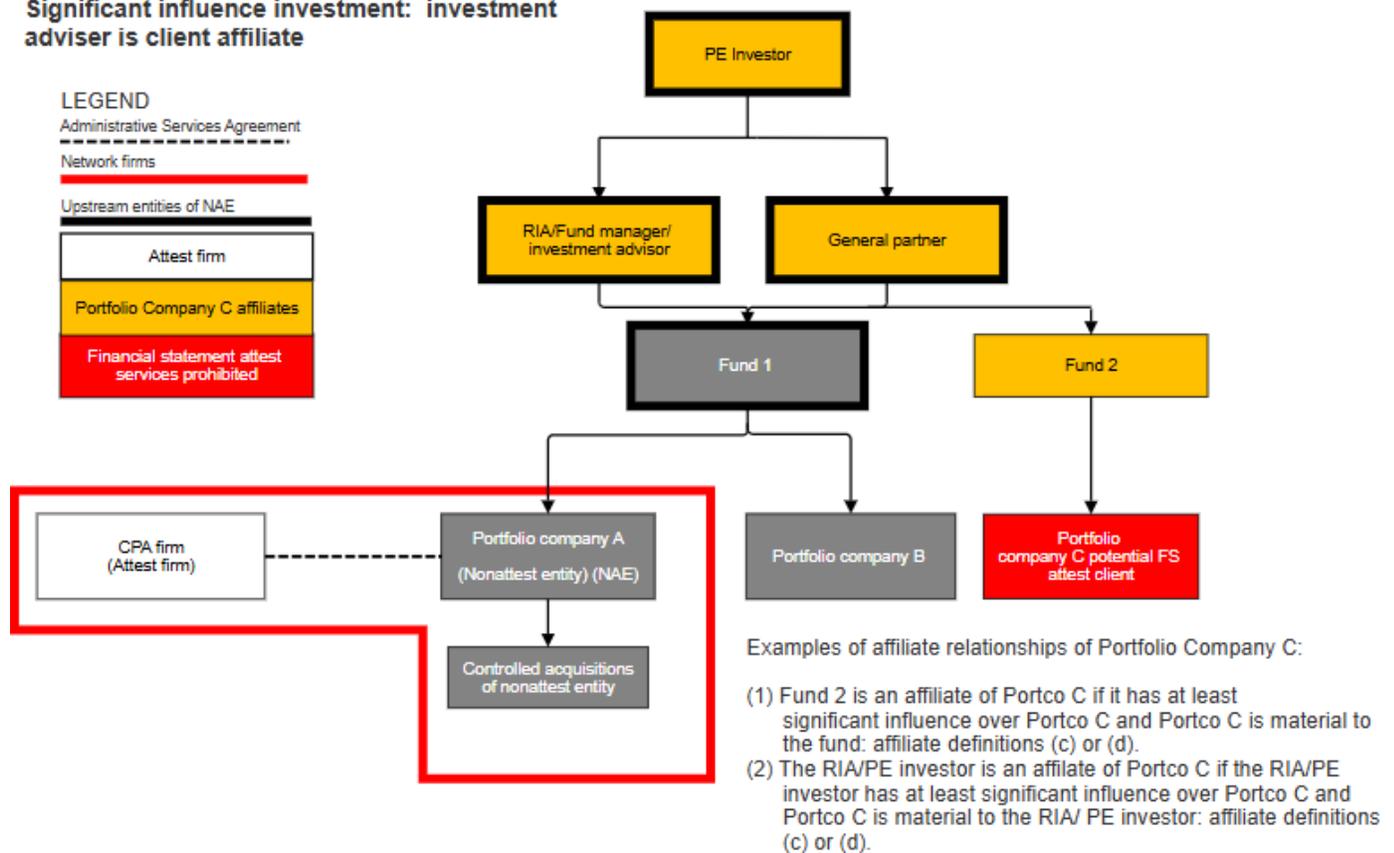


52. *Investment adviser is client affiliate.* Following is an example of the conclusion in paragraph 49 of this explanatory material of a significant influence investment where the potential financial statement attest client is a portfolio company in a different fund than the nonattest entity:

- Portfolio Company C is a potential financial statement attest client and is in a different fund (Fund 2) than that of the nonattest entity, which is in Fund 1.
- The investment adviser is an affiliate of Portfolio Company C because the investment adviser has significant influence over Portfolio Company C, and Portfolio Company C is material to the investment adviser.
- The investment adviser also advises Fund 1 that holds the investment in the nonattest entity.

- The nonattest entity is not considered to be independent of the investment adviser, which is an upstream entity of the nonattest entity.
- The attest firm cannot provide financial statement attest services to Portfolio Company C as the nonattest entity is not independent of an affiliate (that is, investment adviser) of the financial statement attest client (that is, Portfolio Company C).

Significant influence investment: investment adviser is client affiliate

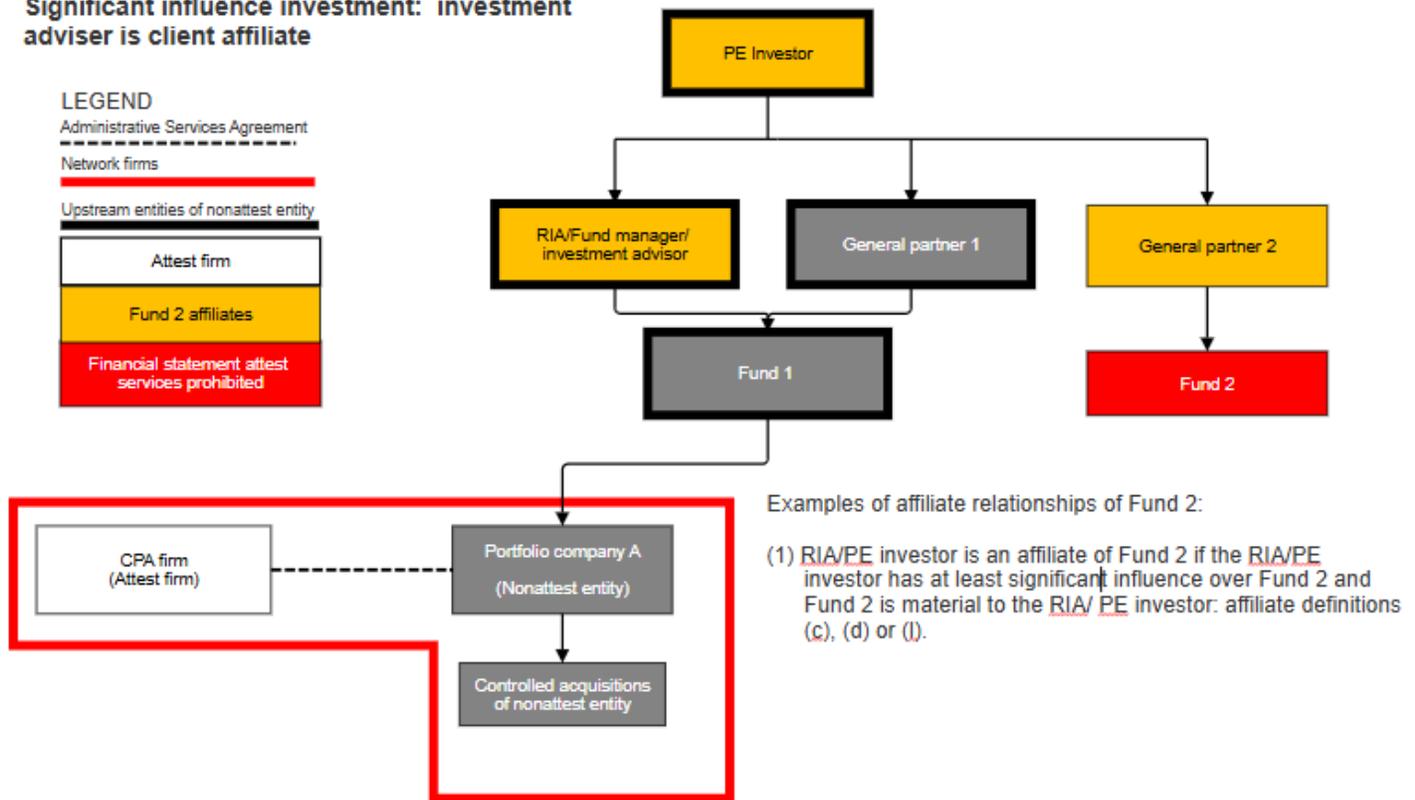


53. *Investment adviser is client affiliate.* Following is an example of the conclusion in paragraph 49 of this explanatory material in a significant-influence investment where the potential financial statement attest client is a fund other than the fund that invests in nonattest entity:

- Fund 2 is a potential financial statement attest client and is in a different fund than that of the nonattest entity, which is Fund 1.
- The investment adviser has significant influence over Fund 2 and the fund is material to the investment adviser.

- The investment adviser also advises Fund 1, which holds the investment in the nonattest entity.
- The nonattest entity is not considered to be independent of the investment adviser, which is an upstream entity of the nonattest entity.
- The attest firm cannot provide financial statement attest services to Fund 2 because the nonattest entity is not independent of an affiliate (that is, the investment adviser) of the financial statement attest client (that is, Fund 2).

Significant influence investment: investment adviser is client affiliate



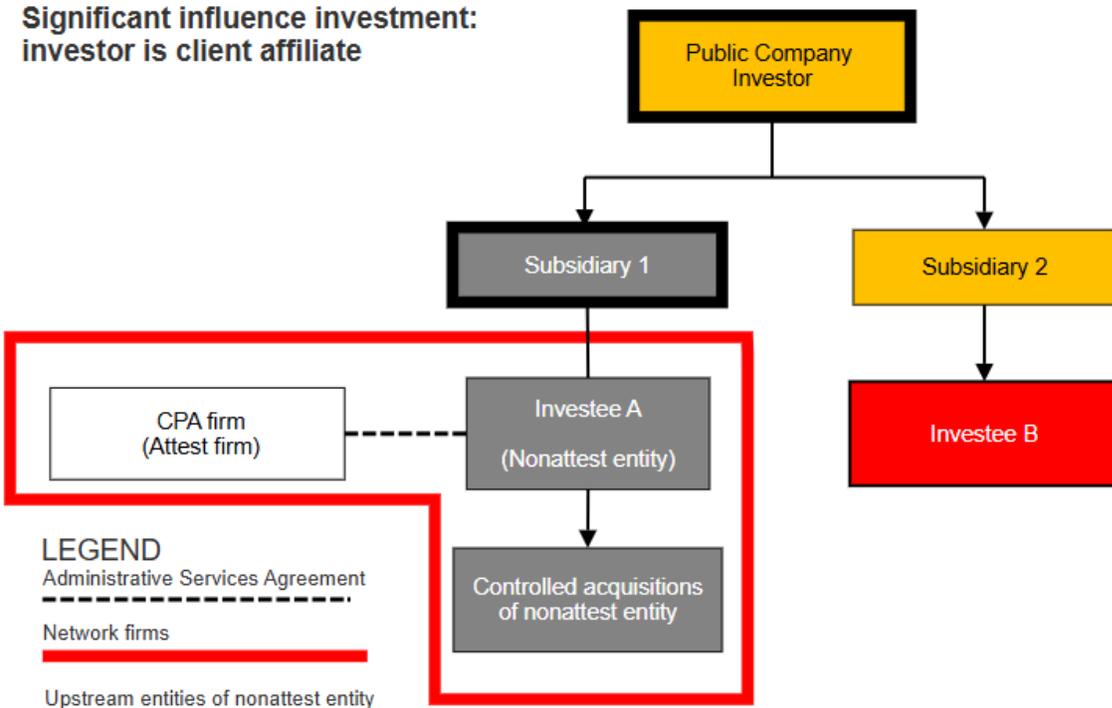
54. *Investor is client affiliate.* Following is an example of the conclusion in paragraph 49 of this explanatory material in a significant influence investment where the potential financial statement attest client is an investee of a public company investor:

- Investee B is a potential financial statement attest client and is under the same public company investor as the nonattest entity (Investee A).
- The public company investor is an affiliate of Investee B because the public company

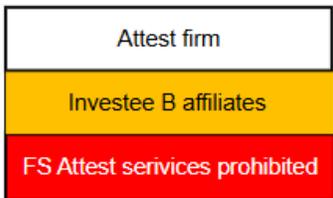
investor has control over Investee B, and Investee B is material to the public company investor.

- The nonattest entity (Investee A) is not independent of the public company investor, which is an upstream entity of the nonattest entity.
- The attest firm cannot provide financial statement attest services to investee B because the nonattest entity is not independent of an affiliate (that is, public company investor) of the financial statement attest client (that is, Investee B).

**Significant influence investment:
investor is client affiliate**



LEGEND
 Administrative Services Agreement
 Network firms
 Upstream entities of nonattest entity



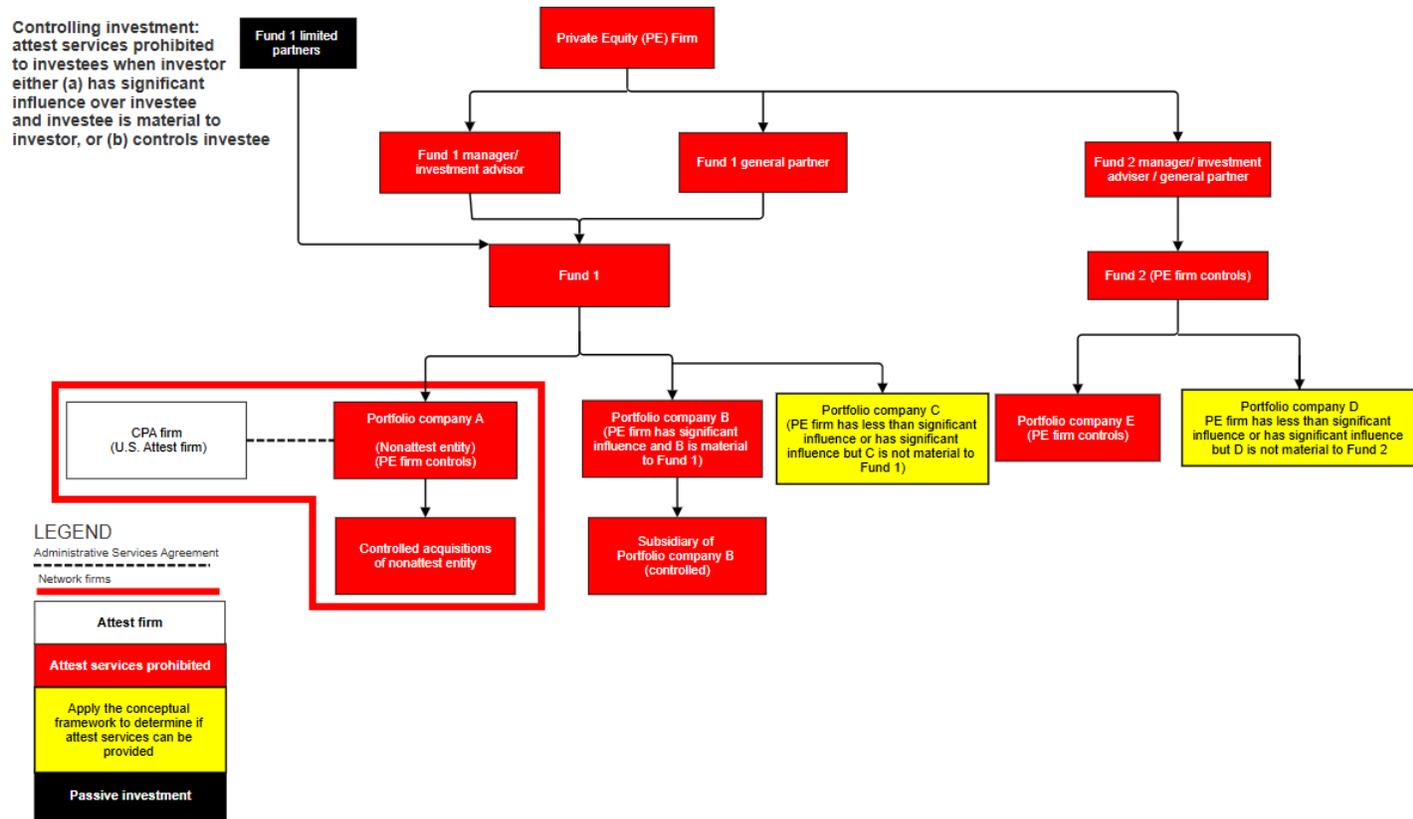
Examples of affiliate relationships of Investee B:

- (1) The subsidiary and/or investor is an affiliate of Investee B if the subsidiary/investor has at least significant influence over Investee B, and Investee B is material to the subsidiary/investor: affiliate definitions (c) or (d).

Controlling investment by investor

55. Threats to independence when providing attest services to other investees are more significant in a controlling investment. Therefore, the conclusions discussed in paragraph 56 of this explanatory material is more restrictive than what would result from the application of the affiliate rules.

56. In a controlling investment, independence is impaired when the attest firm provides any attest service to an investee of the investor when the investor either (a) has significant influence over the investee and the investee is material to the investor or (b) controls the investee (.18d.). When the investor is PE, this restriction applies to any funds and to portfolio companies in any fund.



Relationships that require application of the conceptual framework

57. Members should apply the “Conceptual Framework for Independence” interpretation for other relationships and circumstances the member knows or has reason to believe exist that may create threats to independence. This includes when determining whether attest services can be provided within the investor’s structure that are not prohibited as described in paragraphs 48–56 of this explanatory material (.18b–d).

58. In evaluating threats, members should consider the level of investment (significant influence or controlling) and other relevant factors. The examples and factors provided in paragraph .20 of the interpretation are meant to be illustrative and non-exhaustive. Members should determine which of these and other factors are relevant to the specific set of facts and circumstances being evaluated.

59. Members are not required to monitor for the existence of these relationships; however, members should apply the conceptual framework when they know or have reason to believe a relationship that may create threats to independence exists. The phrase “knows or has reason to believe” appears in various sections of the code but is not explicitly defined. In practice, it is commonly interpreted as having actual knowledge of a relationship or becoming aware of information that provides sufficient cause to believe the relationship exists. Additional conceptual framework examples will be provided in nonauthoritative guidance for APSs with a public company, private equity, or another investor.
60. Paragraph .20*b*. of the interpretation provides an example of when the attest firm knows or has reason to believe a financial, employment, or business relationship exists between an individual or entity listed (for example, a nonattest entity board member who is not a covered member) and an attest client. PEEC believes the categories listed of “financial, employment (including key positions), and business relationships” sufficiently covers the relationships outlined in the correlating sections of the code.³¹

Relationships that generally do not create threats to independence

61. Relationships with certain individuals and entities that generally do not create threats to independence in an APS are presented in paragraphs .21–.22 of the interpretation. The term “generally” is used here to indicate that typically these relationships do not create threats to independence. However, if additional information indicates a threat to independence exists, members should evaluate the threat to conclude whether threats are not at an acceptable level.
62. Limited partners are included here because their investment is passive in nature and usually does not provide for significant influence over the fund it invests in (.21). However, if an individual who is a limited partner, or who is appointed by an entity that is a limited partner, serves on the nonattest entity board, that individual is subject to the guidance applicable to nonattest entity board members. See paragraph 50 of this explanatory material for a situation in which the limited partner has significant influence over the fund and the investment is material to the limited partner.

³¹ The “Financial Interests” subtopic (ET sec. 1.240), the “Trusts and Estates” subtopic (ET sec. 1.240), the “Participation in Employee Benefit Plans” subtopic (ET sec. 1.250), the “Depository, Brokerage, and Other Accounts” subtopic (ET sec. 1.255), the “Insurance Products” subtopic (ET sec. 1.257), the “Loans, Leases, and Guarantees” subtopic (ET sec. 1.260), the “Business Relationships” subtopic (ET sec. 1.265), and the “Current Employment or Association with an Attest Client” subtopic (ET sec. 1.275).

63. Other investees of the investor (for example, other portfolio companies) that are not determined to be network firms of the attest firm may provide services to attest clients of the attest firm that would impair independence if performed by the attest firm. In addition, other investees could enter into business relationships with attest clients of the attest firm that would impair independence if entered into with the attest firm (.22).

Proposed revision to the “Alternative Practice Structures” interpretation (ET sec. 1.810.050)

64. PEEC is proposing the revision to paragraph .01 to broaden the application of the requirements to APS models.
65. Extant paragraph .03 is being deleted because it is redundant with the financial interest provision of the “Council Resolution Concerning the Form of Organization and Name Rule” (Appendix B). The attest firm must comply with the provisions in the resolution to provide the attest services outlined in paragraph A. of the resolution.
66. The new proposed paragraph .03 is intended to address a potential practice issue. The purpose is to promote transparency in practice, avoid the risk of misleading clients, and ensure accurate representation regarding which entity in the APS is responsible for performing each service.

Proposed revision to the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010) and “Conceptual Framework for Members in Public Practice” interpretation (ET sec. 1.000.010)

67. Among the various types of threats to independence in an APS, the undue influence threat³² tends to arise more frequently. This increased frequency is due to the additional relationships that must be considered in an APS, which can introduce more complex dynamics and potential sources of influence — though the threat itself is not inherently more significant. PEEC is proposing to include additional examples in the conceptual framework interpretations, which will assist members in identifying this threat when practicing in an APS.

Proposed revision to the definition of *network firm* (ET sec. 0.400.36)

68. The first revision to the definition of *network firm* removes the inclusion of entities under common control with a network firm from the definition. Furthermore, PEEC does not believe

³² *Undue influence threat*. The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual’s reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member* (ET sec. 1.000.010.16).

entities under common control with a network firm should automatically be scoped into the definition of *network firm* but rather be subject to evaluation as necessary.

69. Additionally, circumstances in which a member owns and controls a separate business will continue to be addressed in the “Ownership of a Separate Business” interpretation (ET sec. 1.810.010). According to this interpretation, a separate business under common control is required to comply with the code.

70. The second revision adds a precondition that an entity that controls a network firm also be cooperating with the network firm for the purpose of enhancing the network firm’s capabilities to provide professional services before the controlling entity is considered a network firm. The revised definition still requires a controlling entity of a network firm to be evaluated for inclusion as a network firm. The code continues to prohibit ownership in a CPA firm by an entity or by individuals who are not actively engaged as members of the firm.³³

Conclusion

71. The proposed new interpretation and revisions presented in this exposure draft are designed to address the evolving landscape of APSs in the accounting profession. The guidance addresses threats to independence in an APS by leveraging other independence interpretations, prohibiting certain relationships unique to an APS when independence would be impaired, and allowing firms to evaluate threats using the conceptual framework in other instances. Including factors to consider when applying the conceptual framework will help ensure consistent compliance with the independence requirements through application of the framework. These changes aim to uphold the integrity of the profession while offering practical guidance for firms operating in alternative practice structures.

Effective date

72. PEEC recommends the proposal be effective one year after adoption, with early implementation permitted for those who implement the new interpretation in its entirety.

Request for comments

73. PEEC welcomes comments on all aspects of the proposed revisions to the code. In addition, PEEC seeks feedback on the following specific aspects (parenthetical references are to paragraphs in the proposed interpretation):

- a. Do you agree that “investor” is defined appropriately (.04c)? If not, please explain.

³³ Appendix B: *Council Resolution Concerning the Form of Organization and Name Rule*.

- b. Do you agree that the definition of “key stakeholders of the investor” is clear in terms of which individuals are included?
- c. Do you agree the three models should be included in the interpretation (.06–.07)? If not, please explain, including whether you believe one or more should be included in nonauthoritative guidance or if there are other models that should be included in nonauthoritative guidance.
- d. Do you agree that the definition of “network firm” should be amended to add the requirement that the cooperation characteristic (as described in paragraph 29 of the explanatory material) in the definition of “network” be met before a controlling investor of a network firm is considered a network firm? If not, please explain.
 - i. Do you agree that if the controlling investor is a network firm based on the definition of “network firm,” then other entities it controls should also be network firms? If not, please explain.
- e. Do you agree that in an APS, the nonattest entity should be subject to the same independence requirements as the attest firm, including the requirements under the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic (ET sec. 1.297 (.14))?
 - i. If you do not agree, do you believe the “Conceptual Framework for Independence” interpretation should be applied to evaluate the significance of threats created by the nonattest entity’s and its controlled entities’ relationships with attest clients subject to the SSAEs?
 1. If so, what factors should be considered in evaluating the significance of threats and whether potential safeguards could be implemented?
- f. Do you agree that when an investor does not provide professional services and the investor’s activities are limited to investing in the nonattest entity and advising on the budgetary or strategic direction of the attest firm (described in paragraph 32 of the explanatory material), then the investor is generally not a network firm? If not, please explain.
 - i. If you agree, state whether you believe these factors should be in authoritative or nonauthoritative guidance.

- g.* Do you agree with the factors for determining whether cooperation exists for the purpose of enhancing capabilities to provide professional services as described in paragraph 33 of the explanatory material?

 - i.* If you agree, state whether you believe these factors should be in authoritative or nonauthoritative guidance.
 - ii.* Do you believe any additional factors should be included for determining whether cooperation exists? If so, please provide the additional factors.
- h.* Do you agree that the covered member section (.15–.16) should remain in the interpretation?

 - i.* If not, should this section be presented as application material on how to apply the *covered member* definition in an APS in nonauthoritative guidance?
- i.* Do you agree that the chief executive of the nonattest entity (and other individuals in an attest partner’s chain of command in the nonattest entity) should be evaluated under the *covered member* definition rather than be automatically considered covered members (.16)? If not, please explain.
- j.* Do you agree that when the investor has significant influence or control over the nonattest entity, the attest firm should not provide a financial statement attest service to an investee of the investor if an upstream entity of the nonattest entity is an affiliate of the investee (.18b.)? If not, please explain.
- k.* Do you agree that when an attest client has a financial interest in the nonattest entity, independence is impaired, regardless of whether the attest client has significant influence over the nonattest entity (.18c.)? If not, please explain.
- l.* Do you agree that, in an APS with PE when the PE investor controls the nonattest entity, the attest firm should not provide attest services to another portfolio company **in any fund** when the PE investor either a) has significant influence over the portfolio company and the investment is material the fund, or b) controls the portfolio company (.18d.)? If not, please explain.
- m.* Do you agree that the prohibitions described in paragraph .18b.–d. of the interpretation regarding the provision of attest services to investees and other entities of the investor (that is not a network firm), along with the use of the conceptual framework for independence for circumstances when the prohibitions

would not apply (.20), are sufficient to address threats to independence in the circumstances described in the respective paragraphs? If not, please explain.

- i. For example, when the investor has significant influence over the nonattest entity, the attest firm would apply the conceptual framework for independence when evaluating whether a controlled portfolio company in the same fund as the nonattest entity could be a financial statement attest client if the controlled portfolio company is not material to the fund (that is, the fund is not an affiliate).
- n. Do you agree with the “Relationships with individuals and entities that generally do not create threats to independence” section (.21–.22)?
 - i. If you agree, should paragraphs .21–22 remain in the interpretation? If not, do you believe the material should be presented in nonauthoritative guidance?
- o. Do you agree that the new paragraph .03 of the revised “Alternative Practice Structures” interpretation of the “Form of Organization and Name Rule” should be in the interpretation? If not, do you believe this is a practice issue as described in paragraph 66 of the explanatory material and, if so, is there another approach that should be considered (for example, in nonauthoritative guidance)?
- p. Do you agree that the proposed guidance is operational? If not, please identify specific sections you do not agree are operational.
- q. Are there any other independence threats related to practicing in an APS, as well as in traditional networks, that we haven’t addressed? If so, please explain.
- r. For what areas do you believe nonauthoritative guidance is needed (other than those already identified)?

Proposed new interpretation “Alternative Practice Structures” (ET sec. 1.220.020)

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you would like to see the definitions, you can find them in “Definitions” ([ET sec. 0.400](#)).

Because the new interpretation is replacing the existing interpretation in its entirety, the proposal is not marked for changes.

- .01 *Members* who practice in an alternative practice structure should apply this and other applicable *interpretations* to determine their compliance with the “Independence Rule” [1.200.001].
- .02 All such structures must be organized in a form that complies with applicable state and federal laws, rules, and regulations; the “Form of Organization and Name Rule” [1.800.001]; and the related “Alternative Practice Structures” interpretation [1.810.050] of the “Form of Organization and Name Rule.”
- .03 To protect the public interest, the overriding focus of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B] is that CPAs remain responsible for a *firm’s* attest work. In addition to the provisions of the resolution, other requirements of the code and bylaws ensure responsibility for
- a. compliance with all aspects of applicable law or regulation;
 - b. enrollment in an AICPA-approved practice monitoring program;
 - c. compliance with the “Independence Rule;” and
 - d. compliance with applicable standards promulgated by *Council*-designated bodies (the “Compliance with Standards Rule” [1.310.001]) and all other provisions of the code, including “Structure and Application of the AICPA Code” [0.200].

Terminology

.04 The following terms are defined solely for the purpose of applying this *interpretation*.

- a. An alternative practice structure (APS) is a form of organization in which a *firm* that provides attest services (attest *firm*) is closely aligned with another public or private entity, partly or wholly owned by an investor or investors, that performs *professional services* other than attest services (nonattest entity).
- b. Closely aligned means a substantial amount of the revenues of the attest *firm* are paid to the nonattest entity in return for administrative services and the lease of employees, equipment, office space, and other resources.
- c. An investor is an individual or entity that has a *financial interest* in the nonattest entity. The investor does not meet the characteristics of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B] and could be a private equity (PE) investor, partnership, corporate entity, or other type of investor. There may be one or more investors in the nonattest entity.
- d. A *significant influence* investment exists when an investor has *significant influence* over the nonattest entity but not *control*.
- e. A *controlling* investment exists when an investor has *control* over the nonattest entity.
- f. Key stakeholders of the investor are individuals who represent or act on behalf of the investor and may include owners, managing partners, founders, or principals.
- g. Upstream entities of the nonattest entity are entities that have at least *significant influence* over the nonattest entity through an investor. For example, in an APS with PE, when the investor has at least *significant influence* over the nonattest entity, this includes the fund, investment adviser, general partner, and PE firm.

Characteristics and diagrams of an APS

.05 The following characteristics are not necessarily representative of every APS. *Members* should apply the concepts of the *interpretation* even if one or more of these characteristics vary in the *member's* APS.

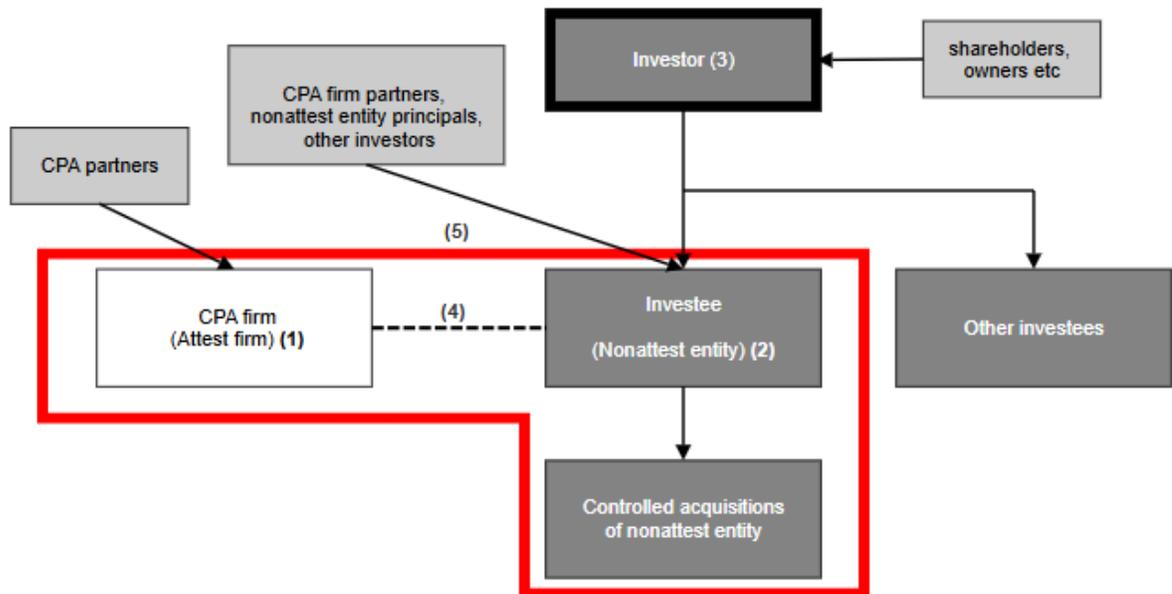
- a. A *firm* separates its attest practice (attest *firm*) and nonattest practice (nonattest entity) and sells a portion of its nonattest practice to an investor or investors. Legacy *partners* of the *firm* may retain an equity interest in the nonattest entity. Alternatively, an attest *firm* may closely align itself with a nonattest entity that has such an investor.

- b. An investor has a *financial interest* that provides the investor with either *significant influence* or *control* over the nonattest entity. There may be other investors with less than *significant influence* in the nonattest entity.
- c. The attest *firm* meets the requirements of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B], including majority ownership by CPAs (attest *firm partners*) and the prohibition against “ownership by investors or commercial enterprises not actively engaged as members of the *firm* or its *affiliates*.” The attest *firm partners* remain responsible for decisions regarding *attest clients*, *attest engagements*, quality management, *independence*, risk management, and attest *firm* personnel. The attest *firm partners* and members of the *attest engagement team* may be employees of the nonattest entity.
- d. The nonattest entity does not meet the characteristics of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B]. The owners of the nonattest entity may include attest *firm partners*, nonattest entity principals, and investors.
- e. The attest *firm* has its own governing body, such as a board of directors (attest *firm* board) that is separate from the nonattest entity’s governing body and is not elected by the nonattest entity’s governing body. The attest *firm* board is involved in budgetary decisions of the attest *firm*.
- f. The nonattest entity has a governing body, such as a board of directors or equivalent body (nonattest entity board) that includes representation from the investor, oftentimes relative to its *financial interest* in the nonattest entity. The nonattest entity board may be the governing body of a parent entity with direct oversight over the nonattest entity. Decisions regarding compensation, finance and budget, resource allocation, and strategic decisions of the nonattest entity are made at the board level; however, the nonattest entity board does not make ordinary-course managerial and operational decisions related to the nonattest entity. Such decisions are made by senior management of the nonattest entity. The nonattest entity board has the authority to approve the budget, including compensation of the attest *firm partners* either on a pooled or individual basis, and may delegate these responsibilities to subcommittees, which may include attest *partner* representation.
- g. The attest *firm* maintains an administrative services agreement (or similar agreement) with the nonattest entity. Under this agreement, the attest *firm* compensates the nonattest entity for administrative support, leased employees, equipment, office space, and other resources. The administrative services agreement is generally structured with

defined terms, renewal provisions, and termination rights, including the right to exit if the relationship is no longer aligned with professional standards.

- h. The chief executives or equivalents of the attest *firm* and nonattest entity are usually not the same individual. The chief executive or equivalent of the attest *firm* reports to the attest *firm* board, while the chief executive or equivalent of the nonattest entity reports to the nonattest entity board.

.06 The following diagram depicts an example of an APS with a public or private investor that has either a *significant influence* or *controlling* investment in the nonattest entity.

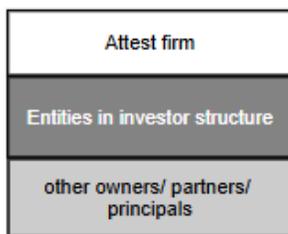


LEGEND

Administrative Services Agreement

Network firms

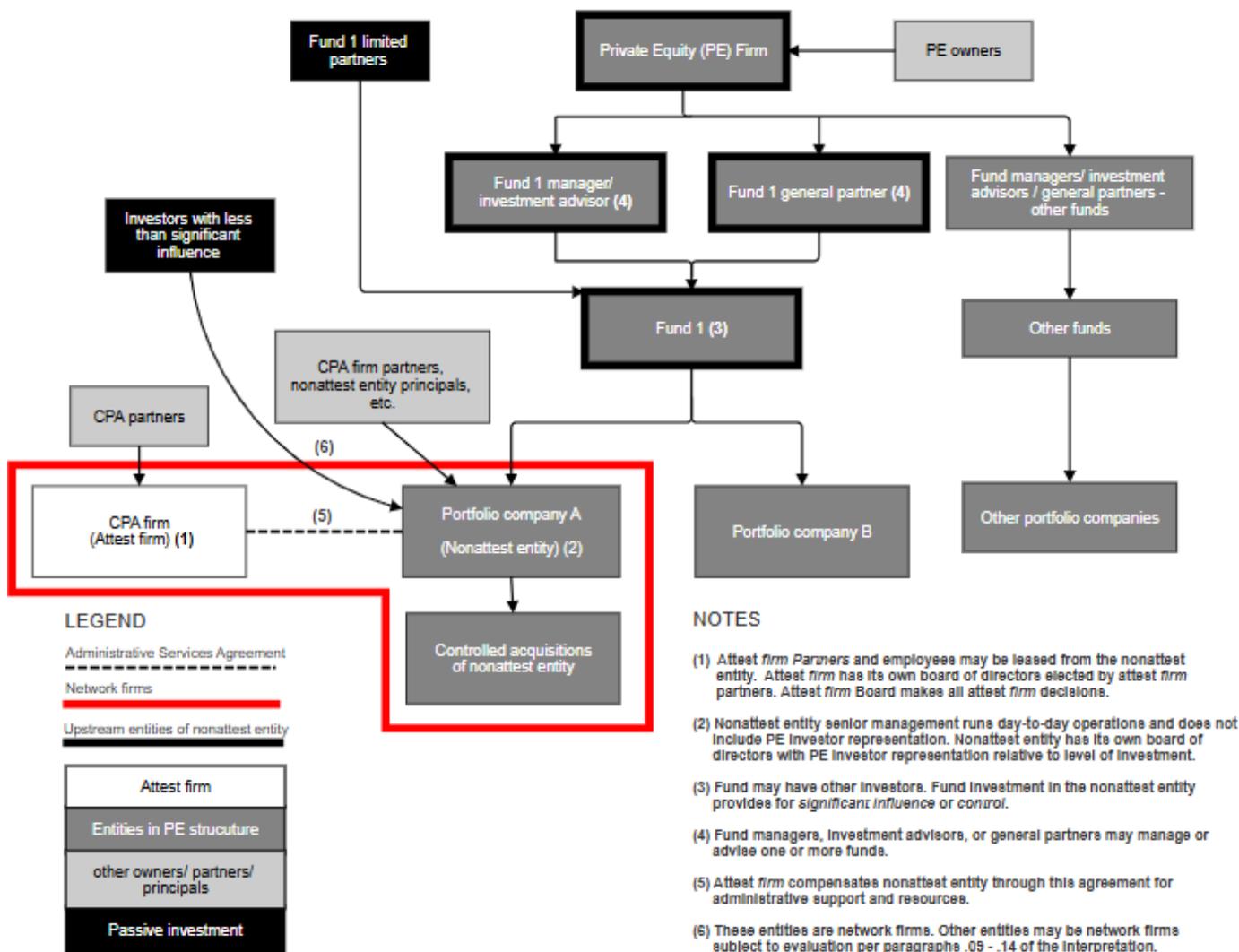
Upstream entities of nonattest entity

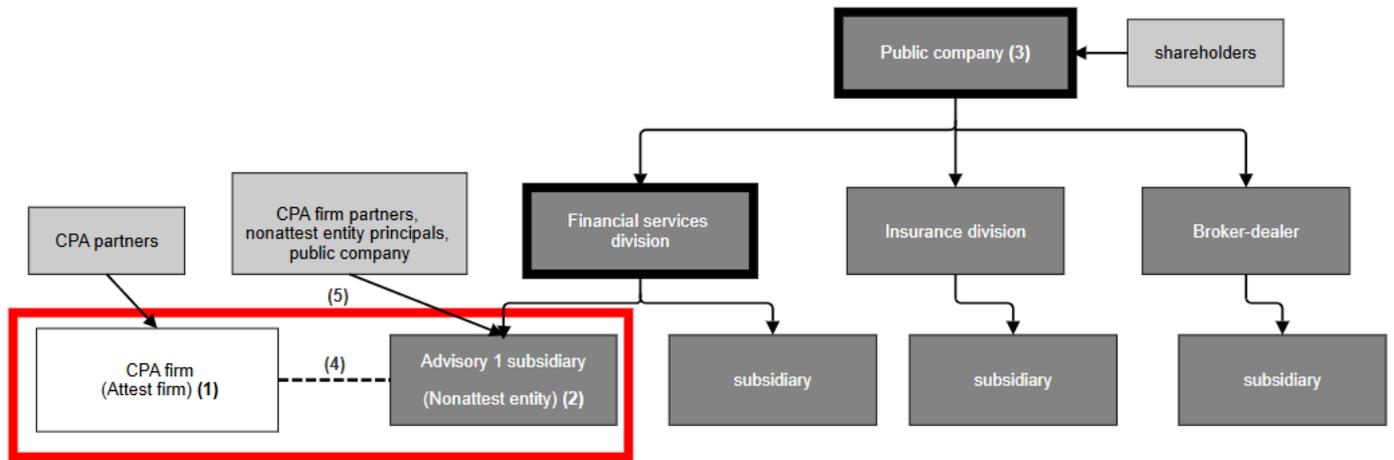


NOTES

- (1) Attest firm partners and employees are leased from the nonattest entity. Attest firm has its own board of directors elected by attest firm partners. Attest firm board makes all attest firm decisions.
- (2) Senior management of nonattest entity manages day-to-day operations and does not include investor representation. Nonattest entity has its own board of directors with investor representation relative to level of investment.
- (3) Public or private investment in nonattest entity that provides for significant influence or control over the nonattest entity.
- (4) Attest firm compensates nonattest entity through this agreement for administrative support and resources.
- (5) These entities are network firms. Other entities may be network firms subject to evaluation per paragraphs .09 - .14 of the interpretation.

.07 The following diagrams depict an APS with a PE investor, followed by an APS with a public company investor, that has either *significant influence* or a *controlling* investment in the nonattest entity.



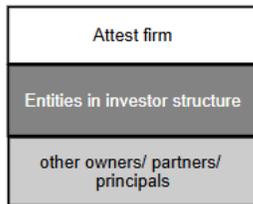


LEGEND

Administrative Services Agreement

Network firms

Upstream entities of nonattest entity



NOTES

- (1) *Attest firm partners* and employees are leased from the nonattest entity. *Attest firm* has its own board of directors elected by *attest firm partners*. *Attest firm* board makes all *attest firm* decisions.
- (2) Senior management of nonattest entity manages day-to-day operations. Nonattest entity has its own board of directors with investor representation relative to level of investment. Board may sit above another entity in investor structure.
- (3) Public investment in nonattest entity that provides for *significant influence or control* over the nonattest entity.
- (4) *Attest firm* compensates nonattest entity through this agreement for administrative support and resources.
- (5) These entities are *network firms*. Other entities may be *network firms* subject to evaluation per paragraphs .09 - .14 of the interpretation.

Interpretation

.08 *Members* operating in an APS should perform the following steps when identifying and evaluating relationships to comply with the “Independence Rule” [1.200.001] and its *interpretations*.

- a. Determine which entities are *network firms* of the attest firm by (i) applying the *network* definition and then (ii) applying the *network firm* definition (paragraphs .09–.14).
- b. Determine which individuals are *covered members* (paragraphs .15–.16).
- c. Identify relationships and circumstances that create *threats to independence*.
 - i. Determine whether the relationships and circumstances described in paragraph .18a.–d. exist. When these relationships and circumstances exist, *threats* are not at an *acceptable level* and cannot be reduced to an *acceptable level* by the application of *safeguards*, and *independence* is *impaired*.

- ii. Apply the “Conceptual Framework for Independence” interpretation [1.210.010] to relationships and circumstances not prohibited by .18a.–d. that the *member* knows or has reason to believe exist, such as those identified in paragraph .20.

Network firms

- .09 The attest *firm* and nonattest entity are *network firms* because they cooperate to enhance the *firms’* capabilities to provide *professional services* and share one or more of the characteristics described in the definition of *network* [0.400.35].
- .10 The attest *firm* should consider whether an investor with *significant influence* or *control* over the nonattest entity is part of the attest *firm’s network*. This determination should be based on whether the investor cooperates with the attest *firm* to enhance its capabilities to provide *professional services* and meets one or more of the characteristics described in the definition of *network* [0.400.35].
- .11 When evaluating whether an entity is part of the attest *firm’s network*, the determination should be based on the relationship between the attest *firm* and the entity that is being evaluated except as outlined in paragraphs .12 and .13.
- .12 The attest *firm* should then consider if additional entities are part of the *network* through application of the definition of *network firm* [0.400.36]. For example, entities that the nonattest entity *controls* meet the definition of *network firm* and are therefore part of the attest *firm’s network*.
- .13 The attest *firm* should consider whether an investor that *controls* the nonattest entity but does not meet the characteristics of a *network* as described in paragraph .10 would meet the definition of a *network firm*. This determination should be based on whether the investor cooperates with the nonattest entity to enhance its capabilities to provide *professional services* as described in the definition of *network firm*.
- .14 Due to the close alignment of the attest *firm* and nonattest entity, the exceptions applicable to *network firms* within *interpretations* under the “Independence Rule” [1.200.001] do not apply to the nonattest entity and entities it *controls*. Therefore, the following requirements apply:
 - a. The nonattest entity, and entities it controls, should comply with the “Independence Rule” [1.200.001] and its *interpretations* with respect to all *attest clients*, which includes complying with the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic [1.297].
 - b. Nonattest entity *partners*, *partner equivalents*, principals and professional employees are subject to the *interpretations* of the “Independence Rule” [1.200.001] that apply to individuals within the attest *firm*.

- c. The attest *firm* and nonattest entity, and entities it *controls*, should take specific steps to identify conflicts of interest that may arise due to their respective relationships with or between *clients* as set forth under the “Conflicts of Interest for Members in Public Practice” interpretation [1.110.010].

Covered members

- .15 Individuals outside the attest *firm* may be *covered members*. For example, nonattest entity board members who have the authority, whether exercised or not, to recommend or approve the compensation of the attest *firm partners* at the individual level are *covered members* because they are *individuals in a position to influence the attest engagement*.
- .16 Other individuals may need to be evaluated to determine if they meet the definition of a *covered member*, including the following:
 - a. Board members of the nonattest entity who do not have the authority to recommend or approve the compensation of the attest *firm partners* at the individual level
 - b. Individuals in the nonattest entity who directly supervise or manage the *attest engagement partner*, including all successively senior levels through the chief executive or equivalent of the nonattest entity (for example, executive committee members)

Relationships and circumstances with individuals and entities that may create threats to independence

- .17 *Threats* to compliance with the “Independence Rule” [1.200.001] may exist due to additional relationships involving individuals and entities that are not *network firms* or *covered members*.
- .18 *Threats* to compliance with the “Independence Rule” [1.200.001] are not at an *acceptable level* and cannot be reduced to an *acceptable level* through the application of *safeguards* and therefore, *independence* is *impaired* in the following circumstances:
 - a. In a *significant influence* investment or *controlling* investment, when an individual who is a member of *those charged with governance* over the nonattest entity serves in a *key position* at an *attest client* during the *period of the professional engagement* or the *period covered by the financial statements*
 - b. In a *significant influence* investment or *controlling* investment, when an *attest client* or an *affiliate* of a *financial statement attest client* is an upstream entity of the nonattest entity

- c. When an *attest client* has or the *attest client's* officers or directors have a *direct financial interest* in the nonattest entity or a *beneficial ownership interest* in more than 5 percent of the equity securities of the nonattest entity *Independence is impaired* regardless of whether the *attest client* has *significant influence* over the nonattest entity.
- d. In a *controlling* investment, when the investor either (i) has *significant influence* over an *attest client* and the *attest client* is material to the investor or (ii) *controls* the *attest client*

.19 To determine whether an *attest engagement* in paragraph .18 can be completed when a *financial statement attest client* is being acquired by the investor or when the attest *firm* acquires another *firm* that is providing an attest service to an investee of the investor, refer to the acquisition guidance in the “Client Affiliates” interpretation [1.224.010] and the “Firm Mergers and Acquisitions” interpretation [1.220.040], respectively.

.20 In both a *significant influence* investment and *controlling* investment, *members* should evaluate whether a relationship that is not prohibited by application of the “Independence Rule” [1.200.001] and its *interpretations* to *covered members*, *network firms*, or the additional requirements of this *interpretation*, create *threats* that require the *member* to apply *safeguards* to reduce those *threats* to an *acceptable level*. When *threats* cannot be eliminated or reduced to an *acceptable level*, *independence is impaired*. The following are examples of circumstances in which such relationships should be evaluated:

- a. The attest *firm* is determining whether it can provide an attest service to an investee or other entity of an investor that is not prohibited by paragraph .18b.–d. Examples of factors to consider when evaluating whether *threats* exist and are at an *acceptable level* include the following:
 - i. Whether the investor *controls* the nonattest entity
 - ii. Nature of the attest service
 - iii. Whether the investor has *significant influence* over or *controls* the investee or other entity of the investor
 - iv. Whether the investee or other entity of the investor is material to the investor or another upstream entity of the nonattest entity
 - v. Whether the *financial statements* of the investee or of another entity of the investor are consolidated with the investor
 - vi. Whether the investee or other entity of the investor has separate governance and separate management from the nonattest entity

- vii. Whether the investee or other entity of the investor is an existing *attest client* that the investor is targeting as an acquisition
 - viii. Whether the *attest engagement* arose from a referral, introduction, or recommendation by a representative of the investor
 - ix. Whether a key stakeholder of the investor is on the board of the investee or other entity of the investor
 - x. Whether the investment in the investee or other entity of the investor is managed by the same individual or entity as the nonattest entity (for example, the fund, general partner, or investment adviser)
- b. The attest *firm* knows or has reason to believe that a financial, employment (including *key positions*), or business relationship not prohibited by paragraph .18a exists between an *attest client* and any of the following individuals or entities that are not *covered members* or *network firms*:
- i. Nonattest entity board members who are appointed by an investor with at least *significant influence* over the nonattest entity
 - ii. Key stakeholders of the investor with at least *significant influence* over the nonattest entity
 - iii. Upstream entities of the nonattest entity including individuals in *key positions* at those entities
 - iv. Investors with less than *significant influence* over the nonattest entity
- c. The attest *firm* knows or has reason to believe that an *attest client* has a *financial interest* in an investor with at least *significant influence* over the nonattest entity that is not prohibited by paragraph .18b. Examples of factors to consider when evaluating whether *threats* exist and are at an *acceptable level* include the following:
- i. The nature of the attest service
 - ii. Whether the *attest client* has *significant influence* over the investor
 - iii. Whether the investment is material to the *attest client*
 - iv. Whether the investment is a *direct* or *indirect financial interest* in the investor

Relationships with individuals and entities that generally do not create threats to independence

.21 Relationships with the following individuals and entities generally do not create *threats* to *independence*. Therefore, these individuals and entities are generally not subject to the “Independence Rule” [1.200.001] and its *interpretations*.

- a. Limited partners with a *financial interest* in the investor, or the investment vehicle that holds the investment in the nonattest entity, when the limited partner has less than *significant influence* over the investor or investment vehicle.
- b. Investees of an investor with less than *significant influence over the nonattest entity*, unless the investees meet the definition of *network firms*.
- c. *Immediate family* members of the individuals listed in paragraph .20b.

.22 An investee of an investor, that is not a *network firm*, may provide nonattest services to, or enter into a business relationship with, an *attest client* of the attest *firm* that would *impair independence* if performed by, or entered into with, the attest *firm*.

Proposed revisions to definition and interpretations (redline)

Additions appear in ***boldface italic***. Deletions appear in ~~strikethrough~~.

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#))

0.400.36 Definition of *network firm*

ET sec. 0.400.36 Network firm. A *firm* or other entity that belongs to a *network*. This includes any entity that, ~~the network~~ by itself or through one or more of its owners, ~~controls~~ or is ~~controlled~~ by, or is under common ~~control~~ with

- a. ***the network firm controls, or***
- b. ***controls the network firm and cooperates with the network firm for the purpose of enhancing that network firm's capabilities to provide professional services.***

1.810.050 Alternative Practice Structures

.01 The "[Form of Organization and Name Rule](#)" [1.800.001] states, "A *member* may practice public accounting only in a form of organization permitted by law or regulation whose characteristics conform to resolutions of *Council*." The *Council* resolution ([appendix B](#)) requires, among other things, that CPAs own a majority of the *financial interests* in a *firm* engaged to provide attest services (as defined therein) to the public. This interpretation explains the application of this rule to an alternative practice structure (APS) ~~in which (a) the majority of the financial interests in the attest firm is owned by CPAs and (b) all or substantially all of the revenues are paid to another entity in return for services and the lease of employees, equipment, and office space.~~ ***as described in the "Alternative Practice Structures" interpretation (ET sec. 1.220.020).***

.02 To protect the public interest, the overriding focus of the [resolution](#) is that CPAs remain responsible, financially and otherwise, for a firm's attest work. In addition to the provisions of the [resolution](#), other requirements of the code and bylaws ensure responsibility for

- a. compliance with all aspects of applicable law or regulation,
- b. enrollment in an AICPA-approved practice monitoring program,

- c. compliance with the “[Independence Rule](#)” [1.200.001], and
- d. compliance with applicable standards promulgated by Council-designated bodies (“[Compliance With Standards Rule](#)” [1.310.001]) and all other provisions of the code, including “[Structure and Application of the AICPA Code](#)” [0.200].

~~.03 Given all the previously mentioned safeguards that protect the public interest, if the CPAs who own the attest firm remain financially responsible, under applicable law or regulation, for the firm’s attest work, the member is considered to be in compliance with the financial interests provision of the resolution. [Prior reference: paragraph .04 of ET section 505]~~

.03 The member should disclose to the client which professional services are provided by the firm engaged to provide attest services and which are provided by the closely aligned entity that performs professional services other than attest services (nonattest entity). See paragraph .05d. of the “Alternative Practice Structures” interpretation (1.220.020) for description of nonattest entity.

1.210.010 Conceptual Framework for Independence

[Paragraphs .01–.17 are unchanged.]

.18 *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual’s reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:

- a. Management threatens to replace the *member* or *member’s firm* over a disagreement on the application of an accounting principle.
- b. Management pressures the *member* to reduce necessary audit procedures in order to reduce audit fees.
- c. The *member* receives a gift from the *attest client*, its management, or its significant shareholders. [1.285.010]
- d. A large proportion of fees charged by the *firm* to an *attest client* is generated by providing nonattest services.
- e. ***In an alternative practice structure, the investor pressures the attest firm and/or nonattest entity to meet internal or external targets.***

- f. In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest firm, such as independence, quality management, or compensation decisions of attest partners.**

[Paragraphs .19–.23 are unchanged.]

1.000.010 Conceptual Framework for Members in Public Practice

[Paragraphs .01–.15 are unchanged.]

.16 *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:

- a. The *firm* is threatened with dismissal from a *client* engagement.
- b. The *client* indicates that it will not award additional engagements to the *firm* if the *firm* continues to disagree with the *client* on an accounting or tax matter.
- c. An individual associated with the *client* or any relevant third party threatens to withdraw or terminate a *professional service* unless the *member* reaches certain judgments or conclusions.
- d. ***In an alternative practice structure, the investor pressures the attest firm and/or nonattest entity to meet internal or external targets.***
- e. ***In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest firm, such as independence, quality management, or compensation decisions of attest partners.***

[Paragraphs .17–.24 are unchanged.]

Proposed revisions to definition and interpretations (clean)

0.400.36 Definition of *network firm*

ET sec. 0.400.36 Network firm. A *firm* or other entity that belongs to a *network*. This includes an entity that, by itself or through one or more of its owners,

- a. the *network firm controls*, or
- b. *controls* the *network firm* and cooperates with the *network firm* for the purpose of enhancing that *network firm's* capabilities to provide *professional services*.

1.810.050 Alternative Practice Structures

.01 The "[Form of Organization and Name Rule](#)" [1.800.001] states, "A *member* may practice public accounting only in a form of organization permitted by law or regulation whose characteristics conform to resolutions of *Council*." The *Council* resolution ([appendix B](#)) requires, among other things, that CPAs own a majority of the *financial interests* in a *firm* engaged to provide attest services (as defined therein) to the public. This interpretation explains the application of this rule to an alternative practice structure (APS) as described in the "Alternative Practice Structures" interpretation (ET sec. 1.220.020).

.02 To protect the public interest, the overriding focus of the [resolution](#) is that CPAs remain responsible, financially and otherwise, for a firm's attest work. In addition to the provisions of the [resolution](#), other requirements of the code and bylaws ensure responsibility for

- a. compliance with all aspects of applicable law or regulation,
- b. enrollment in an AICPA-approved practice monitoring program,
- c. compliance with the "[Independence Rule](#)" [1.200.001], and
- d. compliance with applicable standards promulgated by Council-designated bodies ("[Compliance With Standards Rule](#)" [1.310.001]) and all other provisions of the code, including "[Structure and Application of the AICPA Code](#)" [0.200].

.03 The *member* should disclose to the *client* which *professional services* are provided by the *firm* engaged to provide attest services and which are provided by the closely aligned entity that performs *professional services* other than attest services (nonattest entity). See paragraph .05d. of the "Alternative Practice Structures" interpretation (1.220.020) for description of nonattest entity.

1.210.010 Conceptual Framework for Independence

[Paragraphs .01–.17 are unchanged.]

.18 *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:

- a. Management threatens to replace the *member* or *member's firm* over a disagreement on the application of an accounting principle.
- b. Management pressures the *member* to reduce necessary audit procedures in order to reduce audit fees.
- c. The *member* receives a gift from the *attest client*, its management, or its significant shareholders. [1.285.010]
- d. A large proportion of fees charged by the *firm* to an *attest client* is generated by providing nonattest services.
- e. In an alternative practice structure, the investor pressures the attest *firm* and/or nonattest entity to meet internal or external targets.
- f. In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest *firm*, such as *independence*, quality management, or compensation decisions of attest *partners*.

[Paragraphs .19–.23 are unchanged.]

1.000.010 Conceptual Framework for Members in Public Practice

[Paragraphs .01–.15 are unchanged.]

.16 *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:

- a. The *firm* is threatened with dismissal from a *client* engagement.

- b. The *client* indicates that it will not award additional engagements to the *firm* if the *firm* continues to disagree with the *client* on an accounting or tax matter.
- c. An individual associated with the *client* or any relevant third party threatens to withdraw or terminate a *professional service* unless the *member* reaches certain judgments or conclusions.
- d. In an alternative practice structure, the investor pressures the attest *firm* and/or nonattest entity to meet internal or external targets.
- e. In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest *firm*, such as *independence*, quality management, or compensation decisions of attest *partners*.

[Paragraphs .17–.24 are unchanged.]

Acknowledgments

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