NASBA
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August 22, 2026

Professional Ethics Executive Committee
American Institute of Certified Public Accountants
1345 Avenue of the Americas
New York, NY 10105

Via e-mail: ethics-exposuredraft@aicpa.org

Re: **PEEC Proposed Strategic Plan 2027-2030**

Dear Members and Staff of the AICPA Professional Ethics Executive Committee (PEEC):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the ***PEEC Proposed Strategic Plan 2027-2030*** (the Strategic Plan). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments.

Comments on Specific Questions

1. Do you agree with "Our Mission and Keys to Our Success" (see page 3)?

NASBA generally agrees with the PEEC's proposed mission and identified keys to success.

State Boards have the ultimate legal authority to enforce professional conduct requirements for licensees. While a majority of State Boards have adopted some version of the AICPA's Code of Professional Conduct (the Code) by reference, other State Boards use a partially adapted version or maintain their own equivalent ethical codes to govern CPAs. Because one of the stated keys to successfully fulfilling PEEC's mission includes "developing and maintaining high-quality ethics and independence standards that protect the public interest [and] are operable and enforceable," NASBA recommends that the Strategic Plan place greater emphasis on coordination with State Boards and the regulator community throughout the standard-setting process, not solely during the exposure draft stage. Earlier engagement would improve design and implementation of these standards and reduce unintended enforcement challenges/consequences.

Additionally, NASBA believes that the Strategic Plan would benefit from identifying measurable indicators or metrics of success. Several objectives including education, stakeholder engagement, and implementation support, would be strengthened by describing how PEEC intends to evaluate whether these efforts are successful.

NASBA supports PEEC's recognition that an effective, timely, and credible enforcement process is essential to maintaining confidence in the profession. However, NASBA encourages PEEC to more fully acknowledge the importance of improving the timeliness of ethics enforcement as a strategic objective. From the perspective of State Boards, delayed resolution of ethics matters can diminish public confidence, reduce the deterrent effect of enforcement, and limit the ability of regulators to respond promptly to potential threats to the public. As PEEC continues to modernize its operating model and evaluate changes to its enforcement processes, NASBA encourages PEEC to establish measurable goals for improving timeliness while maintaining appropriate due process and coordination with State Boards and other regulatory bodies.

2. Do you agree with the "Factors Driving Our Strategy" (see pages 4 to 5)?

NASBA agrees that the "Factors Driving Our Strategy" identifies many of the significant opportunities and challenges essential to ensuring that PEEC develops and effectively implements standards and guidance while executing enforcement activities.

Under "Growing Regulatory Complexity and Uncertainty", NASBA recommends replacing the reference to "political uncertainty and unpredictability" with "legislative and regulatory uncertainty." This terminology more accurately reflects the factors influencing ethics and independence considerations while avoiding unintended political connotations.

NASBA supports PEEC's objective of ensuring that ethics and independence standards remain relevant as the profession evolves; however, NASBA objects to the statement that independence standards should remain "adaptable … to engagement circumstances." From a State Board and public protection perspective, the term "adaptable" lacks sufficient clarity and may unintentionally suggest that independence requirements are intended to vary based on individual circumstances rather than being applied consistently. Independence standards are most effective when they are objective, predictable, and enforceable, thus providing practitioners, regulators, and the public with confidence that similar facts and circumstances will produce consistent outcomes.

NASBA encourages PEEC to clarify its intent or consider alternative terminology that better conveys the objective of ensuring that the standards are capable of practical application across differing engagement circumstances while maintaining independence as an absolute and non-negotiable foundation of the profession.

Further, as PEEC considers increasingly principles-based requirements and guidance, greater attention should be given to simplicity and clarity. Highly technical, principles-based requirements may become increasingly difficult for practitioners to understand, for firms to implement, and for

State Boards to enforce. Plain-language drafting with clear quantifiable guardrails should be considered an objective throughout future standard-setting activities.

3. Do you agree with "Our Strategic Initiatives" (see pages 6 to 7)?

NASBA generally supports the four strategic initiatives identified in the Strategic Plan. However, as previously noted, NASBA recommends that Initiative C place a greater emphasis on proactive engagement with State Boards throughout the standard-setting process.

While input from firms and practitioners affected by changes to the Code is important to understand the practical implications of proposed requirements, their perspectives should be balanced with those of the regulators responsible for enforcing those requirements. State Boards are not simply stakeholders; they are responsible for regulating CPAs and therefore bring a distinct and essential perspective to the standard-setting process. NASBA encourages PEEC to engage State Boards early and throughout the development of changes to the Code to ensure that proposed requirements are not only practical but also clear, enforceable and supportive of public protection.

Additionally, NASBA encourages PEEC to increase transparency surrounding its standard-setting priorities. Similar to the Auditing Standards Board and other standard-setting bodies, publication of a formal work plan and project prioritization process would provide stakeholders with greater visibility into upcoming initiatives and improve participation throughout the process.

4. Do you agree with "Our Strategic Actions" (see pages 8 to 9)?

NASBA generally agrees with the strategic actions included in the Strategic Plan.

NASBA supports PEEC's strategic actions under Initiative A to identify and respond to emerging trends that may affect ethical behavior and independence. In furtherance of these actions, NASBA recommends that PEEC specifically identify the continued evolution of alternative practice structures (APS) as an area requiring ongoing monitoring, evaluation, and, where appropriate, standard-setting activity.

APS arrangements continue to evolve in complexity, particularly as private equity and other non-CPA investors become increasingly involved with accounting firms. These structures may create relationships among attest firms, non-attest entities, investors, affiliated entities, and other portfolio companies that raise significant questions regarding independence in both fact and appearance. NASBA has previously expressed concern that financial interests, governance arrangements, shared-service agreements, compensation structures, and other contractual relationships may create economic incentives or influence over an attest firm that are not readily apparent to clients, financial statement users, or regulators.

NASBA recommends that PEEC's ongoing evaluation of APS include consideration of transparency regarding firm ownership, affiliated entities, service boundaries and other relationships that may bear on independence. NASBA believes such information is important not only to regulators, but also to clients, audit committees, financial statement users and the public in evaluating the relationship between the attest firm and other parties within an APS.

NASBA strongly supports strengthening PEEC's coordination with the Auditing Standards Board and Peer Review Board under Initiatives A and B. Ethics, auditing, quality management, and peer review requirements should remain interoperable to reduce unnecessary complexity for practitioners and regulators.

Related to the strategic actions around modernization of PEEC's operating model under Initiative D, while AI and automation may improve efficiency, PEEC should ensure that these tools supplement rather than replace the professional judgment required in ethics standard-setting.

Finally, NASBA encourages PEEC to continue evaluating changes made to its enforcement processes, including the transfer of certain technical ethics matters into the peer review process to ensure that those changes are achieving their intended objectives without unintended regulatory consequences. Because of their mandate to regulate CPAs and protect the public, State Boards have an interest in receiving any and all relevant information regarding potential enforcement matters that may warrant regulatory consideration. NASBA therefore encourages PEEC and the Peer Review Board to engage State Boards proactively in evaluating this transition of transferring certain technical ethics matters to peer review and in considering future changes that may affect State Boards' regulatory responsibilities. Such engagement should occur early enough to provide State Boards with an opportunity to offer regulatory perspectives and inform appropriate communication protocols, while respecting applicable confidentiality requirements.

5. What topics do you believe should be at the forefront of our standard-setting agenda to achieve our mission and success in our strategic initiatives over the next four years?

From the perspective of State Boards and public protection, NASBA believes the following topics should be at the forefront of PEEC's standard-setting agenda:

- Maintaining clear, objective and enforceable independence standards.
- Addressing ethical implications arising from AI and emerging technologies.
- Coordinating ethics requirements with auditing, attestation and quality management standards.
- Developing standards that are scalable for firms of all sizes without compromising public protection.
- Reviewing implementation experience after major standards become effective and make timely improvements, when necessary.

6. Are there any other considerations that we should address related to our strategy?

As previously mentioned, NASBA encourages PEEC to continue to increase transparency regarding its governance, project selection, prioritization and work planning. Public visibility in these processes promotes confidence in standard-setting and provides stakeholders with greater opportunities for meaningful participation.

NASBA also encourages PEEC to consider expanding its committee composition to include a public representative who is not a CPA. Because PEEC's mission is to serve the public interest, direct participation from individuals who rely on the work of CPAs could provide valuable perspectives during the standard-setting process. Representatives from the financial executive community, investment community, banking industry, or other significant users of the financial statements could help PEEC evaluate how proposed ethics and independence standards are perceived by the reasonable and informed third party – the perspective that underpins the Code.

In addition, while NASBA supports the consideration of international developments and harmonization with international ethics standards where appropriate, NASBA believes that PEEC should remain primarily focused on the needs of U.S. stakeholders and public protection as the primary driver of U.S. ethics standards.

7. In addition to the stakeholders we have identified (state boards of accountancy; the National Association of State Boards of Accountancy (NASBA); the AICPA board, leadership, staff, and members; state CPA societies; federal regulators; the International Ethics Standards Board of Accountants (IESBA); and clients, employing organizations, and the public), who else should we consider engaging as we refine our strategy, and why?

NASBA agrees with the stakeholder identified in the Strategic Plan. NASBA also encourages PEEC to expand engagement with those who directly rely upon the integrity and independence of CPA services, including:

- Investors and investor advocacy organizations;
- Lenders and banking organizations;
- Audit committee members; and
- Financial statement users.

These stakeholders represent the broader public interest and the ultimate beneficiaries of ethics and independence standards and may provide valuable perspectives (different from those of accounting professionals) during the standard-setting process.

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We appreciate the opportunity to comment on the Strategic Plan.

Very truly yours,

Nicola Neilon

Daniel J. Dustin

Nicola Neilon, CPA
NASBA Chair

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