Marital bliss? Private Equity and the Attest Industry

Nicole Donahoo
Brigham Young University
Nicole.donahoo@byu.edu

Christy Nielson
University of Mississippi
cnielson@olemiss.edu

Jeff Pickerd
Brigham Young University
Jeffrey.pickerd@byu.edu

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Abstract: Regulators and practitioners question the impact of the recent influx of partnerships between accounting and private equity (PE) firms. We interview 20 attest partners from firms with PE deals, along with four additional professionals, to examine how these partnerships impact the operation and independence of the attest practice. We adopt a structural metaphor of marriage and use grounding marriage theories as a lens to interpret our findings. We find that firms treat PE partners like marriage partners and retain a one-firm mentality, despite independence requirements that PE-backed firms separate from their attest functions. PE marriages offer advantages like increased capital and business acumen. However, these benefits come with downsides including PE firms' indirect influence on attest entities, cultural integration challenges, and operational inefficiencies. Finally, we document respondents' uncertainty around the future of PE-backed firms and the accounting industry more broadly. Our study identifies numerous areas for future research across methodologies.

Keywords: Audit quality; independence; marriage; ownership; private equity

I. INTRODUCTION

Over the past five years, over one hundred accounting firms have become affiliated with private equity (hereafter, PE) firms, marking one of the most dramatic shifts the profession has seen in decades. This trend is prompting concern from regulators and the profession alike, with the American Institute of Certified Public Accountants (AICPA) recently recognizing that this influx threatens the independence of the attest function of accounting firms because of PE firms' "potential ability to influence strategic and budgetary matters affecting the attest firm" (AICPA 2025b, 12). This acknowledgement follows popular press indictments that PE-backing could initiate a focus on "profits versus people," and lead to "sloppier financial work" (NASBA 2024, 2; Maurer 2025). Still, many see PE investments as a necessary intervention that helps accounting firms navigate mounting financial pressures tied to technology costs, talent shortages, and outdated ownership models (O'Bannon 2023). Overall, these conflicting viewpoints leave an open question as to how this recent, unexplored phenomenon affects the operation and independence of the attest function. This question is especially relevant given the speed of PE firm investment. As Brown and Hall (2024) warn, "Like a cloud of locusts, private equity moves so quickly that by the time lawmakers become aware of the problem and researchers study the effects, private equity has moved to other investment targets."

As such, we conduct 24 semi-structured interviews with professionals familiar with PE-backed firms, including 20 attest partners currently working within PE-backed firms. Given the relatively small number of attest partners in the profession, especially among PE-backed firms, and their central role in overseeing the attest practice, our sample provides rare and valuable insights. These respondents offer a unique perspective into the changes occurring within these firms and how these changes are understood and navigated.

To contextualize our research question, we adopt marriage as a structural metaphor to examine the PE-accounting firm relationship. This framing reflects how respondents themselves describe their experiences, often referring to their PE partnership in relational terms. This metaphor is also useful for examining the emotional and strategic dimensions of the relationship, including respondents' perceptions of commitment, resource sharing, and evolving power dynamics across the dating, marriage, and marriage dissolution phases of the relationship. Importantly, the metaphor is not only reflective of participants' descriptions but is also theoretically grounded. It aligns with the behavioral theory of the firm, which encourages viewing organizations as human-like actors whose decisions and relationships can be understood through social and emotional lenses (Cyert and March 1963; Peng and Shenkar 2002). We also draw on several marriage theories, such as relationship economics theory (Weiss 1997), to examine how perceived benefits and costs shape the PE marriage.

While the marriage metaphor resonates with how respondents experience the PE deal, the metaphor also breaks down in key and informative ways. For example, only the nonattest portion of the accounting firm is married to the PE firm, as the attest portion must remain structurally separate to comply with regulatory requirements. However, the attest portion agrees to continue working alongside the nonattest portion in an alternative practice structure (APS) (See Figure 1). In theory, this separation is designed to preserve auditor independence by limiting PE influence over the attest function. In practice, respondents describe a one firm mentality in which operational and cultural boundaries blur, and the attest function is effectively drawn into the marriage. This perceived unity raises independence concerns, as professional standards demand that the attest function remain independent not only in fact but also in appearance.

Another critical divergence lies in the temporary nature of PE marriage**s**. Unlike traditional marriages which assume a lasting commitment, PE marriages are established with a relatively short-term end in mind. This built-in impermanence introduces instability for partners who often treat the arrangement as if it were a long-term marital union which is known for fostering trust and strategic clarity (see Burgoyne, Reibstein, Edmunds, and Routh 2010). The misalignment between longer-term relational views and shorter-term PE marriages is a useful lens for understanding key takeaways from these marriages.

These metaphorical and conceptual foundations help us interpret the three key phases of PE marriages. In the dating phase, accounting firms are primarily motivated to pursue marriage because of the need to fund retirement obligations and obtain capital for physical and technological growth. Legacy retirement models are widely viewed as financially untenable, and PE funding allows firms to maintain partner benefits without additional partner capital contributions.

In the marriage phase, it seems that PE firms are rarely involved with the day-to-day attest work but still exert influence over the attest function through strategic direction. Though the attest and nonattest entities operate as separate legal entities, they are economically linked by an administrative services agreement that allows the PE firm to indirectly shape attest firm priorities. This influence often accelerates a shift toward advisory services and a growth culture that partners experience in divergent ways. While some respondents welcome the professionalization and operational accountability that the PE firm brings, others express concern about diminished autonomy and cultural misalignment—particularly when integrating acquired firms.

Finally, the marriage dissolution phase, an inevitable component of every PE marriage, occurs when the PE spouse sells their accounting firm investment. Respondents express apprehensions in this phase about firm trajectory and leadership continuity, especially as firms grow more complex. Some worry that PE influence could ultimately undermine audit quality or lead to public scandals, inviting regulatory backlash. These concerns reflect a broader unease with the temporary nature of PE marriages and the shifting incentives they introduce.

Our study offers several contributions to both academic research and regulatory discourse on auditor independence and accounting firm ownership models. First, we offer a detailed account of the alternative practice structure (APS) used by PE-backed firms, extending the growing literature on nontraditional organizational forms in accounting (Bills, Hayne, and Stein 2018; Lennox, Wang, and Wu 2020). We further describe the PE model's practical implications. Despite independence requirements that PE-backed firms separate their attest functions into distinct legal entities, our respondents consistently describe a paper-only separation that preserves a unified, one-firm reality in practice, exposing a critical tension between formal regulatory compliance and respondent experiences. Also, while many respondents deny that this structure degrades audit quality, others raise concerns that one-firm practices compromise auditor independence in subtle but meaningful ways. Consistent with research showing that shifts in leadership structures can affect attest outcomes (Mowchan 2023), our findings suggest that PE involvement could degrade audit quality through pressure to align with PE spouse incentives at the expense of objectivity.

Second, by using a structural metaphor informed by relationship theories, we capture the multi-phase nature of PE-accounting firm marriages. Our lens highlights not only the economic motivations and strategic alignments that precede these marriages but also the evolving power dynamics, cultural frictions, and operational adjustments that shape them over time. Our metaphor portrays PE firm involvement not as a one-time transaction but as a relationship with a lifecycle and an expiration date. This perspective should help catalyze the emerging PE research stream (see Borysoff, Conaway, and Riedl 2024; Doan, Utke, Zhou, and Zou 2025). We also enrich existing research that conceptualizes firm relationships using relational metaphors, responding to calls for examining the marriage metaphor beyond the traditional marriage context (O'Malley 2018). Prior work in marketing has employed marriage metaphors to understand interfirm alliances (Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994), and we extend this literature by applying the metaphor in a highly regulated professional services context. Our findings suggest that while the marriage metaphor may resonate culturally, its application in the attest setting introduces unique tensions due to the expectations of auditor independence.

Third, our study contributes to the growing literature on PE firms' role in regulated industries. In the insurance industry, PE firms structure investments to take advantage of lagging regulation requirements (Kirti and Sarin 2024). Similarly for accounting, PE firms gain indirect influence over the attest function without being subject to the rules that govern CPAs. PE firms may expect little regulatory pushback, given attest regulators' historic hesitance to react during industry transitions. If so, PE-backed firms could prioritize short-term profits over long-term audit quality, potentially undermining auditor independence and public trust. Indeed, PE firms have explicitly outlined strategies for maximizing the value of their accounting firm investment upon exit (Borysoff, Conaway, and Riedl 2024). While these may be effective strategies in other industries, they could conflict with attestation's public-interest mandate.

Finally, we provide insights for regulators via rare access to the perspectives of attest partners within PE-backed firms. The insider views we illuminate answer the AICPA's call for feedback as it revisits independence rules to address challenges posed by PE investments (AICPA 2025). In particular, we reveal how PE influence materializes not through direct interference with attestation, but through strategic guidance, growth expectations, and revised compensation models. We find benefits from PE's financial backing and challenges around succession planning, cultural integration, and talent retention, all issues that could potentially intersect with audit quality and cause partners to express uncertainty regarding the future of the profession. As such, our findings offer timely insight for regulators, highlighting the realities of economic entanglement and strategic influence in today's rapidly transforming attestation landscape.

II. CONTEXT AND THEORETICAL UNDERPINNINGS

Private Equity and the Accounting Industry

As shown in Table 1, PE firms have significantly increased their investments in accounting firms in recent years, marking a seismic shift in the profession. This trend gained traction in 2021 with the first major PE deal between TowerBrook Capital Partners and EisnerAmper (Kenney 2023). Several prominent firms, including Citrin Cooperman, Cherry Bekaert, and Grant Thornton, followed suit. Traditionally, accounting firms operate as partnerships, distributing profits among partners while gradually reinvesting in the firm. PE-backing fundamentally transforms accounting firm financing and business structuring.

Accounting firms are attractive to PE investors for at least three reasons. First, accounting firms are relatively low-risk because they generate steady and predictable revenue (Maurer 2024). Second, the accounting industry is highly fragmented with extensive opportunity for consolidation. PE firms typically seek to invest in larger "platform" firms that can expand rapidly by absorbing smaller competitors (Foley 2022), as evidenced by the list of acquisitions in Appendix I. Third, PE firms recognize the potential for expanding accounting firms' high-margin advisory services.

Implications of Private Equity Investment across Industries

PE investment is broadly linked to operational improvements and growth, including better store-level restaurant operations (Bernstein and Sheen 2016), faster geographic retail expansion (Fracassi, Previtero, and Sheen 2022), and greater economic resilience (Bernstein, Lerner, Sorensen, and Stromberg 2017). Further, PE deals are associated with gains in employability

(Agrawal and Tamber 2016) and workplace safety (Cohn, Nestoriak, and Wardlaw 2021).

However, PE investment has also garnered concern in sectors where public trust is paramount. In healthcare and education, for example, PE ownership is linked to higher costs and mixed quality outcomes (Borsa, Bejerano, Ellen, and Dov Bruch 2023; Eaton, Howell, and Yannelis 2020). Similarly, nursing homes with PE backing reduce patient risk profiles but increase mortality rates due to staffing cuts and lower care standards (Gupta, Howell, Yannelis, and Gupta 2024). Predicting PE's potential impact in the accounting profession is especially complex as the attest function should operate under a professional mandate that centers on independence, public accountability, and objectivity—principles that may be at odds with PE firms' traditional focus on financial returns and short-term exit strategies.

Additionally, PE-backing often leads companies to reshape their workplace dynamics by, for example, tying employee pay directly to firm performance (Gornall, Gredill, Howell, Liu, and Socken 2024). The popular press suggests that PE firms could likewise influence workplace dynamics in accounting, potentially affecting audit quality. In particular, PE deals could exacerbate the accounting profession's existing talent acquisition and retention challenges (Rooney 2022; O'Bannon 2023). However, PE funding could also ease capital constraints (Ranamoorti and Herring 2024) and fund technology that improves attest employees' job satisfaction.

These viewpoints underscore the tension between attest's quality-centric professional obligations and PE firms' efficiency-centric expectations, raising concerns about audit quality, employee retention, and regulatory compliance. As PE continues to reshape the attest industry, understanding how PE-backed accounting firms navigate these challenges will be critical for regulators, practitioners, and researchers. This leads to the following research question: How do PE deals affect accounting firms' attest function?

The PE-Accounting Firm Marriage

To contextualize our research question, we use marriage as a structural metaphor for the PE-accounting firm partnership. Further, we draw on the behavioral theory of the firm which suggests that it is useful to examine companies as if they have human-like characteristics (Cyert and March 1963; Peng and Shenkar 2002). The marketing literature has long applied a similar marriage metaphor to examine business relationships, beginning with Dwyer, Schurr, and Oh (1987) who introduced relationship stages as a framework to understand buyer-seller dynamics. Marketing theory has since incorporated key concepts such as the distinct stages of marital development and transformation and the role of cooperative relationships in promoting more efficient resource allocation (Morgan and Hunt 1994; Celuch, Bantham, and Kasouf 2006; O'Malley 2018).

The PE-accounting firm marriage unfolds in three key stages. The *pre-marriage phase* encompasses the period during which both accounting firms and PE firms actively seek and select compatible spouses, reduce information asymmetry through courtship, and prepare the terms of their marriage contract. This stage reflects the foundational tenets of relationship economics theory, which posits that individuals pursue partnerships when the anticipated joint benefits exceed the costs of continued search and uncertainty (Weiss 1997). Accounting and PE firms mutually evaluate whether a marriage would be advantageous.

Once the partnership is established, the *marriage phase* begins. Here, accounting and PE firms work to integrate operations, negotiate evolving roles, and adapt to new structures, priorities, and expectations. This period parallels themes from the relationship literature on early-stage marriage with spouses navigating identity renegotiation, redefined expectations, and cultural blending (Huston, McHale, and Crouter 1986; Kaslow and Hammerschmidt 1993; Thwaites 2013; Slotter, Duffy, and Gardner 2014; Lavner, Weiss, Miller, and Karney 2018). Like spouses, accounting and PE firms each bring unique resources to leverage for a successful marriage (Chiappori, Iyigun, and Weiss 2009). However, resource theory suggests that power dynamics may shift toward the spouse who contributes the most valuable resources (Wolfe 1959), and accounting and PE spouses may experience such shifting dynamics during this time.

Finally, the *marriage dissolution phase* marks the end of the PE-accounting firm relationship. Unlike traditional marriages, PE-accounting firm relationships are entered into with the expectation of a future exit, making dissolution an inherent structural feature rather than a sign of failure. This built-in impermanence can create uncertainty for accounting firms, who may struggle to plan for the future when ownership and strategic direction will shift in the short term. Additionally, when spouses see the end of a relationship as inevitable, feelings of stability and commitment erode (Burgoyne, Reibstein, Edmunds, and Routh 2010). For PE-backed accounting firms, early recognition of the inevitable dissolution of their marriage introduces instability into every marital stage. The marriage dissolution phase ultimately resets the PE–accounting firm relationship cycle, with accounting firms searching for a new marital partner.

III. METHOD

We utilize semi-structured interviews to examine the perspectives of accounting professionals in firms with PE deals. This method is well-suited to develop a well-rounded understanding of this emerging phenomenon (Edmondson and McManus 2007; Power and Gendron 2015). Following guidance for interview-based accounting research (Malsch and Salterio 2016), we conducted interviews with 24 accounting professionals, including 20 attest partners, one senior manager, two consultants, and one advisory partner. See Table 2 for summary information on respondents.[1] Except for the consultants, all respondents were part of accounting firms that had undergone PE deals, ensuring they could provide informed perspectives on the resulting changes.[2] To capture meaningful insights into the post-deal landscape, we focused on individuals from firms in which the PE deal had been completed at least six months prior, allowing them to reflect on meaningful observed changes. Attest partners were a focal point of our study because they can speak broadly to the impacts on attest practice.[3] While attest partners are a hard-to-access population, they have insights into PE's impact that would not be obtainable from other sources, making their participation especially valuable. We identified respondents through professional contacts, publicly available professional profiles, and a business networking site.

Our semi-structured interviews followed a protocol informed by theory and prior research. See Appendix II for a sample protocol. We began all interviews with introductions and establishing rapport. All three coauthors were present for 22 of the sessions.[4] On average, interviews lasted 54 minutes. We audio-recorded each interview and professionally transcribed them to ensure accuracy and facilitate a thorough analysis. We interviewed until we reached saturation such that incremental interviews were unlikely to expand or deepen our insights, and we triangulated our findings with popular press articles and regulatory publications.

As our fieldwork progressed, we began identifying recurring themes and patterns in the data, noting that respondents often described their experiences in ways reminiscent of a marriage

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[1] Although some of the 20 attest partners have transitioned into firm leadership roles, all have experience with the attest function. To maintain respondent anonymity, we do not specify which individuals have moved into leadership positions. Also, we interviewed one respondent twice: once when they were a senior manager and once after they became an attest partner.

[2] While not part of a PE-backed accounting firm, the consultants have extensively worked with several accounting firms as they prepare for, receive, and adapt to the PE-backed investment. Their insights are primarily focused on providing background and institutional knowledge concerning PE investments in accounting.

3 While there could be some concern that attest partners are overly optimistic or pessimistic about the changes PE partnerships bring, we find most partners express both positive and negative changes. As such, their responses appear to reflect their lived experience.

[4] One interview was conducted by two coauthors, and a consultant interview was conducted by a single coauthor.

relationship. This observation prompted us to explore relationship theories as a lens for understanding the dynamics between PE and accounting firms. To systematically analyze these themes, we used NVivo to organize and identify key patterns within our data. Each transcript was independently coded by two coauthors following a structured codebook to ensure consistency. A third coauthor then reviewed the coded data, reconciling any discrepancies. When selecting quotes to illustrate our findings, we prioritized those that best captured the collective respondent perspective while also incorporating contrasting views to provide a more complete understanding. We provide frequency categorizations (Trotman and Trotman 2015) rather than frequency counts because categories account for respondents who share others' views but leave them unexpressed.

IV. ANALYSIS

We employ a structural marriage metaphor in our analysis, drawing on established relationship theories. As depicted in Figure 2, this lens reveals insights into accounting firms' relationships with PE firms just before, during, and after the PE marriage. We summarize our findings in Table 3 and preview them here.

First, in the pre-marriage phase, accounting firms decide to seek PE marriage suitors, discern which suitor to marry, and then establish the marriage contract which outlines changes to the firm's legal structure, board composition, and compensation models. Second, in the marriage phase, accounting firms and their PE spouses wrestle with retaining independent identities, work to combine their resources, and establish new household logistics. Accounting firms bring their attestation expertise and clients to the marriage while PE firms bring their extensive business acumen, and they work together to acquire additional resources through mergers. As they establish the household logistics of the new marriage, PE-backed firms determine who makes which decisions and how to manage finances – both revenues and costs. Finally, in the marriage dissolution phase, we document attest partners' expectations for the inevitable PE divorce as well as the accompanying uncertainty about the future of PE-backed firms. Throughout our analysis we detail the potential implications of our findings for the attest practice.

Pre-Marriage Phase

As with most marriages, the PE marriage is preceded by a dating phase. This section outlines the events that occur during this pre-marriage, dating phase. First, accounting firms must self-reflect to discern why they want to date and what type of companion they seek. Then, firms that decide to pursue PE suitors must determine the particulars for the PE marriage by selecting a PE spouse and settling the marriage timing. Finally, accounting firms are ready to establish the PE marriage contract, which outlines their legal structure, board composition, and employee compensation.

Seeking a PE Marriage

Relationship economics theory suggests that partners decide to marry when, "the gains from both partners from forming the union exceed their expected gain from the continued search" (Weis 1997, 104). For PE firms, accounting firms are quite attractive suitors. In fact, one respondent noted that "every top 50 firm has at least received a call from either an interested PE buyer or an investment banking firm" (S-2). For accounting firms, the key to an ideal, gainful PE suitor is clear: "capital infusion" (P-5, P-18).

The popular press likewise cites capital constraints as a key driver of PE marriages (Ranamoorti and Herring 2024; O'Bannon 2023), though notably accounting firms do have other options for raising capital including capital calls from partners, loans, or mergers. However, respondents perceive clear downsides to these alternatives, most notably that the personal financial hit is "not palatable" (P-14). Commenting on the possibility of partner calls and loan repayment, one partner noted, "it's not like my pockets are unlimited. I have five kids" (P-11).

Respondents emphasize that capital is top priority largely due to firms' retirement obligations. "The accounting profession is a graying profession," (P-3) and many "mature partners are...we'll call it less than 10 years, from retirement" (P-14). Retirements trigger partner payouts over many years, which are paid for by new partners. This model has historically worked in the accounting industry, but the "burden keeps getting bigger and bigger and bigger" (P-8) and in many cases the "deferred comp…. was not an asset that was ever going to be paid out" (P-6). So, firms "needed something to disrupt" (P-8) their own "brokenness of a retirement model" (P-1).

One partner coins the term "maintenance capital" to describe the money that PE suitors can provide to help firms continue their existing lifestyle (P-14). In addition to retirement, maintenance capital includes the "never ending need for technology improvement" (P-14). This maintenance capital consideration is consistent with the popular press assertion that rising technology costs lead to PE marriages (O'Bannon 2023). Indeed, outsourcing IT is expensive and provides no return on investment, but retaining IT in-house is expensive too:

> *"The spend is several million dollars… Plus the unknown, which is AI and how is that going to impact it? I think that in itself is going to drive a lot of smaller firms out. I mean, the price you're going to have to pay."* (P-9)

Finally, a majority of firms seek a partner for growth capital, seeing PE firms as suitors who can help them grow and improve, consistent with a benefit of marital relationships. Firms feel that without a PE spouse, potential acquirees will not entertain their offers. Traditionally, acquiring firms take on acquirees' debts, but "no cash exchanges hands" (P-1). PE-backed firms can say yes to those who "want cash now" (P-15). "I think right now if you call the really good firm and want to do it the old way [without cash], they won't even call you back" (P-5).

Discerning Particulars for the PE Marriage

After deciding to date PE suitors, accounting firms are tasked with discerning which PE firm is worth marrying and what the best timing is for their marriage. In determining which potential partner to marry, relationship economics theory notes that, "the partners compare their characteristics and evaluate their potential gains from the marriage" (Weiss 1997, 104). Attest partners discuss a similar evaluation in their PE firm discernment process. While the process may start with many (e.g., 30) PE suitors, firms' characteristic evaluation "whittles it down" (P-14) to only a couple.

> *"If we [got] past the initial dating meeting and to the next deeper meeting, every single one of the PE firms would send over a deck. And in that deck they would be like, here's our operating team and here's all the things our operating team can do for you."* (P-1)

For these most serious suitors, firms speak to the PE management teams to better understand these potential PE spouses. Accounting firms feel great pressure to make the right spouse choice because getting "in bed with the wrong partner… [would] turn into a disaster situation" (P-17).

A number of respondents convey that PE firms are most attractive when they are "students of the [accounting] industry" (P-20) and understand the importance of accounting firms' non-negotiables. For instance, one accounting firm required that they "be the ones that decide who the CEO is going to be" (P-5), even if it was an uncommon stipulation in other industries.

> *"I can't remember the different firms that we danced with initially, but… the reason we ultimately went with [our PE firm] was… We felt like, hey, you've demonstrated to us that you understand our industry.… They understood how we made money."* (P-15)

The culture of the PE firm also seems to be an important consideration. A respondent shares that they "did not want PE to come in and someone halfway across the country look at billable hours and decide that everyone works an extra 100 hours this year," noting that would not "align with our culture" (P-9). A good cultural fit is also essential for retaining office norms: "We didn't want to have to cut people. We didn't want our practice to be disrupted, our local offices to be disrupted" (P-20). These norms are carefully considered during the dating phase:

> *"I'm trying to make sure from the interaction of the PE firm if they're going to influence*

the culture of the firm because that would be hard. They showed up in jeans and a golf shirt and seemed to fit right in with us." (P-9)

Of course, dating is a two-way street. While accounting firms assess the characteristics of PE firms, PE firms simultaneously assess accounting firms. During dates, "[PE] presented to us, and then we presented to them" (P-18). And though relationship economics theory notes that the "process of matching in real life is characterized by scarcity of information about potential matches," (Weiss 1997, 104), respondents feel that PE firms work hard to reduce information asymmetry. For one firm, due diligence was a tough "six-month process" (P-16).

With regards to marriage timing, it seems there are benefits to marrying early but only for relatively mature firms. A number of respondents believe "it's better to be one of the first in the door than to be the 20th firm doing one of these," because valuations are highest in the beginning (P-17). P-4 explains, "Say we got $2 a share, just for example. Another firm [follows] us at like, say, $2.50 a share. So, if we later sell [to another PE firm] at $6 a share, I've gotten three times, but they've gotten less." That said, for smaller firms, waiting to tie the knot with a PE firm may be the better choice:

> *"We drug our feet too long, so we weren't going to be able to be… the first ones that PE came to…. [But in hindsight] it would've been too intense for most of the partners, as far as immediate revenue growth goals. I think it would've been just too intense."* (P-6)

Establishing the PE Marriage Contract

In describing their model for romantic relationship development, Bryant and Conger (2002) comment that dysfunctional interactions emerge as patterns before partners marry. In our setting, dysfunction can be instigated or stymied by contractual terms in the marriage contract. These terms specify the organization's revised legal structure, the reconfiguration of the accounting firm's board, and employees' new compensation models. We discuss each in turn.

Legal structure. State regulations dictate that attest entities "can't issue attest reports if not owned by CPAs" (P-9), and thus the PE firm "cannot be perceived as providing oversight to the attest practice" (P-15). To comply with these regulations, PE-backed firms separate into alternative practice structures (APS) in which the attest entity is distinct from the nonattest entity that houses the advisory, consulting, and tax business. Because PE spouses invest specifically in the nonattest entity, the APS is essential for separating the attest entity from the PE investment.

While the APS keeps PE investment separated from the attest *entity*, it is not separated from attest *employees.* Attest partners are partners in both the attest and nonattest entities, and the nonattest entity provides attest partners' salaries—a potential source of perceived PE pressure for attest partners. Others working in attest (e.g., staff and seniors) are employed by the nonattest entity and are "leased to the attest entity through the administrative services agreement" (S-2).

The administrative services agreement is the linchpin to a successful APS. This agreement is the PE marriage contract, and its terms are negotiated between the accounting and PE firms. Critically, the agreement "defines the relationship [between the attest and nonattest entities] and the movement of economics" (S-2). While legal structures are consistent across PE marriages, the economic details of these marriages can be contracted quite differently. Per S-2, even accounting firms in a minority position can negotiate key aspects of the agreement such as operational control, partner admissions, compensation, the PE firm's exit strategy, and the characteristics of their eventual acquirer. Unsuccessful agreements are "not clear enough about the separate governance of the [attest and nonattest entities]" or allow PE firms to "overreach" in operations (S-2).

All administrative services agreements "sweep substantially all of the profits from the LLP over to the LLC" (P-15). That is, in exchange for "people, back-office support, leases, copy machines, everything" that the nonattest entity provides, the attest entity pays a fee (S-2). The attest entity is a "shell.… that entity doesn't make money. It covers costs but everything [extra] is funneled back" through the fee to the nonattest entity (P-7). This financial arrangement highlights the prominence of the nonattest entity and, thus, the indirect influence of the PE spouse.

However, the APS also leads to inefficiencies and "burdensome" billing work (P-13):

> *"Structurally, it's been a pain in the rear, because everything that we do unfortunately has to be times two, because we're technically two separate companies. I have to do billing under two separate entities. I can't just send one bill…. I'm telling the client, 'This audit invoice, you got to send to this one. Oh, by the way, when I send this next one, don't forget, you got to send this one to a different lockbox.'… The process to finalize an engagement letter has to go through two different departments… Anything that we do specific for audit has to be double, and in my opinion, duplicative."* (P-11)

Attest partners must thus "spend time, even though it's the same people, the same freaking office, the same companies, they spend all this extra time trying to figure out how are they going to bill this client" (P-9). The APS thus potentially diverts attest partner attention away from audit quality as they navigate new operational complexities.

The board. The PE marriage contract also specifies a revised accounting firm board structure. "Our attest practice has to have its own board" (P-15) because "the two entities are separately controlled, right?" (S-2). So, firms have "put these bright lines in" (P-16) requiring two boards, one for each entity. A few PE representatives and a few legacy partners sit on the nonattest entity board (P-14). Interestingly, one respondent notes that partners cannot sit on both boards (P-11), whereas another says "there's cross pollination between the two boards…. so everybody's on the same page" (P-6). P-6 is explicit that "there's a couple members of the audit board who are on the main board." This dual-board structure, while intended to maintain clear governance boundaries, may create challenges in aligning oversight and strategic priorities.

Compensation models. Finally, the marriage contract dictates revised compensation models. Traditionally, firms used "a pension program where [retired partners] would get 25% of their highest three years pay for the next 10 years, or something like that" (P-15). After the PE marriage, “everyone is equity, everyone’s buying in,” so partners must plan for retirement differently (P-19). Notably, partners with this “phantom equity” from the buy-in are “really only going to realize it upon exit. So when [current PE firm] sells, then it’s going to turn into some cash in hand” (P-2).

When the deal is initially executed, partners take a reduction on their base salary, which “is called a scrape” (P-4). This scrape allows “cash flow [to go] back to the PE sponsor” while leaving “enough money… to still fund operations” (P-10). A few respondents note that the scrape “was a big deal for partners” (P-4), though one suggests it was “not a material amount” (P-14).

Despite the scrape, respondents generally believe PE marriages are “a phenomenal deal for existing partners” (P-7). Firm value steps up, or dramatically increases, at the time of the PE marriage. The valuation is “at least a hundred percent of the revenue of the firm, plus whatever EBITDA multiplier they apply to it” (P-7). So, existing partners receive a payout for the portion of the firm they sell to the PE spouse at the firm’s stepped-up value, and these partners’ remaining ownership is also held at the stepped-up value. As a result, “there can’t be a senior partner in this world who doesn’t want to do this thing, from purely a personal economic situation” (S-1).

However, for rising partners who do not receive this initial payout, “there’s a hefty buy-in now” (P-19). Like PE-backed firms, non-PE-backed firms conduct internal valuations to establish new partner buy-in amounts, but non-PE-backed valuations are a fraction of those used for PE marriages. So, for one incoming partner who was initially quoted a buy-in at the non-PE-backed rate, “my required partner buy-in quadrupled,” while the equity offered “decreased by 60%” with the PE marriage (P-7). Incoming partners take on debt to make this buy-in payment.

> *“They keep telling me… ‘you’re not getting paid a lot, like, your regular annual comp is not high because when the deal happens, it’s going to be great.’ And I have to remind them, it’s only going to be great when the second deal happens because my first deal is paying off my debt, unless it’s some crazy [expletive] deal.”* (P-19)

While firms recognize that “you definitely don’t want your newest partners feeling like they got screwed” (P-5), many new partners still feel “blindsided” (P-19). Belated communication with senior managers who would soon assume partner roles made them feel they “didn’t matter” (P-7).

For lower-level employees, respondents report that “scrutinized” (S-3) salaries are right at market, and PE-backed firms are “conscious of not overpaying” (P-2). Notably, the popular press writes that considerable recent increases in market rate salaries are prompting PE marriages (O’Bannon 2023). Indeed, for some partners coming from smaller firms, these market rates are “more competitive” relative to their legacy rates (P-20). But respondents also report that lower-level employees get “really upset” about bonuses when the executive team emails that “Everything is great. The world is wonderful. The sky is sunny. It’s like rainbows and unicorns,” but then employees receive “less bonus than they got the year before” (P-19). P-19 further explains that “the bonus pool is less,” and now “we have way more employees.” This perspective brings these employees’ effort and turnover intentions into question and calls for additional research. Further, these shifting compensation models are important considerations for audit quality. Prior research, while not examining PE-driven equity, finds that attest partners’ equity ownership has mixed effects on audit quality (Lennox et al. 2020), and audit fee-driven partner compensation reduces audit quality (Dekeyser, Gaeremynck, Knechel, and Willekens 2021).

Marriage Phase

Once the PE and accounting firms combine, they leave the pre-marriage phase and enter the marriage phase. That is, they form a new business similar to how a marriage creates a new family unit. Early marriage is marked by significant adjustments (Lavner, Weiss, Miller, and Karney 2018), and PE investment likewise sparks a transition period in which both parties navigate new dynamics. Interestingly, the majority of partner respondents initially describe the PE firm as largely nonintrusive in "how we run the business and do our day jobs" (P-8) such that "the average partner [feels] no difference" (P-1), even with proposals and pricing.

However, our interviews ultimately reveal more nuance. Like with marital relationships (Huston, McHale, and Crouter 1986), subtle but meaningful shifts occur within the new PE marriage. In the following section we discuss those shifts. First, we shed light on the attest and nonattest functions wrestling with independent identities post-PE marriage. Then, we examine the distinct resources that the accounting and PE spouses contribute to the marriage and highlight PE-backed firms' acquisition of new resources. Finally, we discuss the evolving household logistics that come with the marriage phase, noting that firm decision making, revenue and technology considerations, and cost management shift during the PE marriage.

Retaining Independent Identities

The most harmonious marriages are characterized by spouses with interpersonal differences (Markey and Markey 2007), suggesting that retaining independent identities leads to synergistic marital benefits. Still, newlyweds must balance retaining their individuality while building a unified life together (Slotter, Duffy, and Gardner 2014). Similarly, new PE-backed firms balance operating as two distinct legal entities and functionally unifying as one firm. In doing so, it is critical that the attest function retain an independent identity post PE marriage, and PE-backed firms realize this:

> *"Because all PE are funds, they're regulated by the SEC. And that is scary for [the PE firm], they are now under a different set of SEC standards than they're used to. Their lawyers were very concerned with it. And that's why we went and vetted our approach to independence with the SEC before we would close [the PE deal]."* (P-8)

Despite the importance of the legal separation, respondents describe division between the attest and nonattest entities as only "on paper" (P-1, P-6, P-14). "It's a little smoke and mirrors" (P-1), with firms still marketing themselves, at least internally, as "one firm" (P-8, P-9, P-11, P-20, S-3). The on-paper separation "is purely to satisfy [independence] regulations" (P-9). Consistent with independence concerns raised in the popular press (Greene 2023), respondents reveal tension between in-fact compliance with independence laws and their one-firm daily reality.

This tension is consistent with regulators' and industry leaders' concern that financial pressures from PE marriages could erode auditor independence (AICPA 2025b). For example, PCAOB Board Member Botic warned that an APS "suggest[s] a potential for blurred boundaries" (Botic 2024). Similarly, SEC Chief Accountant Munter (2024) cautioned that PE firms, unlike attest employees, are not bound by independence and ethics standards, and that attest employees may question their firm's commitment to independence and audit quality.

Moreover, the practical necessity of executing independence checks can collide with PE-backed firms' extensive relationship ties outside of the marriage. Each of these relationships must be considered during independence checks, akin to taking extended family's perspectives into account when making family decisions. While larger firms' clients may be used to waiting weeks for independence checks, this creates challenges for firms serving smaller clients.

> *"[Smaller firm] clientele…might be some farmer, might be a non-profit and they want a decision right there if you can help them. Not, "We'll get back to you in two weeks." That timing doesn't work. We're trying to figure out how we can… on the backend, make sure that someone in Wisconsin or Illinois is not violating independence for our firm."* (P-9)

While a number of respondents challenge the idea that these PE marriage features inherently compromise attest integrity, this perspective diverges from beneath the surface insights. One respondent expresses "no concern on anything that we're doing, that it's being negatively influenced by PE," but recognizes that if their PE-backed firm had an audit quality issue, "the Wall Street Journal article that would be written is, 'See, we told you'" (P-18). In fact, broad decisions from the PE spouse—in terms of "focus" and "strategy" (S-1)—inevitably affect the attest entity, as "all of the decisions being made [by the board] impact both of the entities" (P-2).

PE marriage also changes attest partners' operational accountability perceptions. One respondent highlights that holding partners accountable is "a huge positive of… any PE deal" (P-19). This partner continues, "When you're in the old school LLP, who's really being held accountable? I don't know." Another partner points out that pre-PE marriage, the CEO "really didn't have a boss. So, now there is a board" (P-12). One respondent disagreed, noting that while accountability "comes up internally sometimes… we were doing this stuff before" (P-16). To the extent that attest practices do feel accountable to PE firms for their operations and efficiency, compliance with independence requirements could be in jeopardy.

In fact, one respondent has retained legal counsel over concerns that the attest-nonattest separation fails to meet independence standards. They argue that because the PE firm benefits financially without formally owning the attest entity, the attest entity should "be considered owned by the PE firm, and therefore, shouldn't be allowed to be doing these attest services" (P-7). This respondent cites non-compete agreements as evidence that the attest entity lacks true independence, highlighting how the PE-backed firm "is trying to have it both ways." That is, while the PE-backed firm claims the attest entity has an independent identity, it also holds attest partners subject to the nonattest entity's non-compete agreements. This creates a legal dilemma and calls the separation of the LLP and LLC into question:

> *"As an auditor, can I leave and start soliciting and competing against clients who only receive audit services, who are a part of the LLP company? Because I don't have a non-compete with that LLP company. And so the question is, are they one and the same?... Are these attest entities one and the same and therefore, no, you can't go compete? But if they're one and the same, then you can't perform attest services."* (P-7)

Independent identity questions also extend to nonattest services. For example, a firm's accounting services group offers bookkeeping under the nonattest entity, and regulators question "what ethics standards should that group be following. They're not technically part of a CPA firm, but should they be following the CPA ethics standards?" (P-15). This respondent also muses, "if firms don't allow the non-attest people to hold themselves out as CPAs in the marketplace," what happens to the value of the CPA designation? Another partner worries PE firms could begin questionable "referral arrangements" in which one PE firm refers an attest engagement, for which they lack independence, to a different PE firm in a like-kind exchange (P-5).

Combining Resources

In marriage, spouses improve the partnership by combining their unique resources to overcome challenges (Chiappori, Iyigun, and Weiss 2009). That is, natural differences in spouses' skillsets, specializations, and efficiencies often complement one another (Weiss 1977). Similarly, accounting firms and their PE spouses leverage each other's resources for mutual benefit. Below, we document the primary resources that accounting and PE firms contribute to their marriage, as well as the acquisition activity that fuels further resource attainment in PE-backed firms.

Accounting firm resources: Expertise and clientele. Respondents believe their PE spouses value two primary accounting firm resources: their employees and their clients. PE spouses know "they're not auditors, they're not CPAs" (P-8). So, they rely on accounting firms' attestation expertise to "run the show" (P-20). Accounting firms also bring their client base to the marriage. PE spouses recognize these client relationships drive future consulting engagements.

PE-backed firms appear to actively cultivate these resources by granting small equity units not just to partners but also directors, some senior managers, experienced recruits, and "even some key strategic back-office folks, administrative folks, [and] marketing people" (P-15). As opposed to concerns in the popular press that PE marriages could exacerbate hiring and retention challenges (Rooney 2022), these efforts seem to lure employees to stay in the family. Further, a few respondents also "make the pitch" to potential young recruits that they are "not just your old stodgy accounting firm" (P-5) because of their PE investment. Regardless of the actual underlying economics of revised partner compensation models, the chance to "realize some of that personal wealth" as a younger professional may give the profession new "luster" (P-13).

However, just as marriage requires a conscious decision to stay committed (Robinson and Blanton 1993), partners must ultimately decide whether to remain in the new PE-backed firm. And, PE-backed firms do not incentivize all partners equally. Some firms strategically use cash payouts to incentivize senior, more expensive partners to leave while encouraging their junior counterparts to stay:

> *"If I [have] an older partner near retirement…I might cash them out at 80% because I want them to be gone in short order. But I might go to a younger partner and say, 'We're going to need you to roll over 90% of your holdings, and we're only going to cash you out for 10% of your holdings'…we need them to stick around."* (P-15)

In response, one newly minted but older partner feels "kind of screwed," and notes, "I hope some more young partners quit, honestly… [and] walk to [another firm] with no harm, no foul" (P-19).

Respondents express mixed feelings about how committed senior partners are to staying in the family. Because some PE-backed firms have dissolved mandatory retirement age rules, "partners could really stick around forever" (P-12). But, many senior partners adjust their career plans because they see the PE marriage as a way to accelerate retirement (P-17). These early retirements avoid "stagnating the growth of some younger people" (P-6), but they also create ambiguity around leadership succession:

> *"If you roll the cycle forward, and they're seven years forward, and these minority owners, 20% are only now in their mid-40s. Who is going to run the firm once [the current partners] cash out in seven or 10 years?"* (S-1)

Whether PE firms incentivize or discourage experienced partners from retiring could have powerful implications for firms' operations and audit quality.

PE firm resources: Business acumen. PE-backed firms also leverage resources that the

PE firm brings to the marriage. In addition to capital, PE spouses provide "good business hygiene" (P-9), and their business acumen enables accounting firms "to take it maybe two levels beyond what we would've done individually" (P-1). Respondents report that their PE spouses lead them to "ask questions and force [them] to think about things in a different way that sometimes seems obvious, but… [you]'ve never thought about it that way" (P-16).

> *"It's not necessarily that they've [only] flooded us with cash.... They've helped us refocus on our growth and our strategies, and implementing those better."* (P-20)

PE spouses' business acumen shapes the marriage in several impactful ways. PE spouses guide firms to take "the best pieces of each [acquired] firm and standardizing it across the [merged] firm" (P-2), to "develop a marketing plan and a budget" (P-6), and to "professionalize our sales approach… [and] our M&A strategy" (P-16). PE spouses also lead accounting firms to hire new types of personnel like "really excellent national office professionals" (P-19), as well as "CIOs" from the Big Four and new "programmers" (P-8). In fact, P-8 even notes that now:

> *"We have change management. We have people that's all they do, is they look at projects and then they create plans and then they project manage them. We have groups we didn't have before to create the growth, to back office the growth, honestly."* (P-8)

PE-backed firms also reallocate existing talent, for example, by "taking three partners that were either tax or audit and flipping them into full-time business development type roles" (P-6). This type of reallocation sheds light on shifting priorities and a potential de-emphasis on audit quality.

Acquiring new resources. A new marriage prompts couples to realign their goals and values, and PE firms value growth. PE spouses realign accounting firm goals toward unyielding acquisition pursuit. Indeed, the pace of acquisitions accelerates exponentially post PE marriage. A respondent reflects that in the past, the firm "did one acquisition every other year," but after the PE spouse's capital infusion, "we're closing on probably three or four a year, and we've always got a couple more in the hopper" (P-15). Growth opens client opportunities "all around the country" beyond a historically "hyper local" base (P-2). Further, it helps retain clients who might have otherwise "outgrown" the firm (P-18).

The majority of these acquisitions would have been unlikely under traditional partnership financing, as PE capital "loosens the purse strings on acquisitions" (P-5) and attest partners are "becoming less risk averse… because it's not [their] capital at risk" (P-17). That is, the low risk aversion that is characteristic of PE firms seems to be reshaping the risk preferences of attest partners, and this is particularly evident in how these partners prioritize acquisitions.

PE-backed firms' approach to expansion extends beyond increasing headcount. Rather, they target "higher growth, higher return, future-forward types of services and clients" (P-3). The goal is to become "a complete package, not just audit and tax" (P-19), prompting investments in niche service areas such as employee benefit plans, financial services, biotech, and governmental attestation (P-10, P-1, P-3). This is consistent with the popular press assertion that consulting and tax advisory services provide opportunities for higher profitability, making them an attractive area for growth (Kenney 2023). This focus on "scaling advisory services" (P-12) is reflected in the revenue composition of PE-backed firms. For one firm, revenue from advisory services has doubled since the PE marriage (P-18).

Given this acquisition-driven multi-service model, the centrality of the attest entity could shift. A few argue that attest remains "the workhorse" of the firm (P-7), with consistent revenue, while "advisory is going to go up and down" (P-6). Indeed, one respondent notes:

> *"[PE initially] wanted advisory and consulting and stuff like that. Then we were getting some market research from some bankers a couple weeks ago…Now all of a sudden they've done enough studies to realize that audit and tax have this annuity stream…Consulting can just go away at a moment's notice. That's not as valuable."* (P-9)

But, the perceived importance of the attest entity to PE-backed firms seems to depend on market conditions. During economic uncertainty, attest remains reliable and profitable, while in growth periods, the perceived higher-margin opportunities available in advisory may take priority. As the PE-backed firms evolve, their strategic focus may flex in response to external conditions.

The foremost—and more immediate—challenge that firms encounter as they pursue acquisitions is managing cultural integration. While acquisitions often lead to integration concerns, the speed of acquisitions performed by PE-backed firms exacerbates these tensions and, as such, could affect audit quality (Aobdia 2020). Acquisitions are "extremely painful" (P-20), a "time-consuming and stressful process" (P-17). One respondent notes, it is "not that [the legacy firm] systems were the best, but everybody had been dealing with them for 30 years," and change can be difficult (P-13).

Relative to integrating "yet another advisory consulting offering," attest integration is particularly trying (P-17). While "we're all singing from the same song book, every firm's audits are different" (P-15). Firms must merge attest "software and our audit approach and our policies and sampling forms and everything" (P-17). In particular, blending attest approaches can lead to frictions because some partners feel their deeply held attest beliefs are being challenged. These partners may perceive the rejection of their prior practices as a dismissal of their expertise. One respondent relates their experience with another partner at an acquired firm:

> *"[They] are like, 'What the [expletive]? I've been doing audit for all these years, you tell me I'm stupid? I'm not stupid. I've been doing this 20 years. How do you think I'm stupid?'… And so, it's very tension-driven from the audit perspective."* (P-19)

Consistent with evidence from Christensen, Smith, Wang, and Williams (2023) that mergers between small audit firms can reduce audit quality, our respondents indicate that resolving "missteps" found during attest integration can negatively impact client service, by having "to go back to your clients. We need to do X, Y, and Z… then, the client gets upset" (P-12).

New Household Logistics

In a new marriage, spouses establish norms for how their household functions, including who makes which decisions and how they manage their finances. This is also true in PE marriages, as accounting and PE spouses must develop decision-making models, consider revenue and technology changes, and revisit cost management principles. Below, we examine the implications of each of these logistical determinations.

Decision-Making. Post PE-marriage, a subtle norm develops in decision-making power that favors the PE spouse. Resource theory suggests that this power gravitates toward those who control the most valuable resources (Wolfe 1959), and partners seeking access to these resources often cede some control in exchange for their use (Hesse-Biber and Williamson 1984). This is apparent in how PE spouses introduce a restructured, more corporate model for decision making. Before the PE marriage, one firm had more than 20 equity partners and "to do a deal… you've got to herd the cats and get [those] people aligned to the level you need to [get the votes]" (P-18). Now, the board and executive leadership take the lead in a streamlined approach:

> *"Instead of distracting the whole firm with an acquisition we're going to do or looking to do, now if an individual business unit has an acquisition they want to do, they work through it with the CEO, then with the board, and they do it."* (P-5)

The market appears to view this shift positively. Firms that are not run this way "take a discount on the value of the company because you're slower at making decisions and everything clogs down" (P-9). A number of respondents view the reduction in individual attest partners' influence as a needed improvement. However, a few have "struggled [with the change], because they were at the table. They were part of our executive committee. They were used to having full knowledge of a lot of things, and today, they don't" (P-18). The extent to which partners feel disenfranchised or decision-making improves could impact firm operations and audit quality.

Further, when attest partners do have decision-making authority, PE spouses want right of oversight. Attest partners experience an increase in approvals and controls, noting that before the deal “they didn’t have to answer to as many people” (P-2). A number of respondents lament that now, “There’s too much red tape” (P-19). One possible explanation for this increase in red tape is PE-backed firms’ growth culture: “the bigger [the] firm, the more checks and approvals and bureaucracy” (P-4). Another perspective, specifically related to budget allocation red tape, is that PE board members make it hard to get approval: “They make you really want it, let’s just put it that way. They make you jump through a bunch of hoops” (P-15).

Revenue and Technology Considerations. Marriages prompt newlyweds to rethink how they handle their finances (Burgoyne, Reibstein, Edmunds, and Doman 2007), and the same occurs after PE marriage. Most notably, there is a heightened focus on value creation, with an eye toward “increasing the value of the firm five years down the road” (P-15). That is, the PE firm “is looking for an ROI” when they sell their stake (P-20). To achieve this ROI, PE-backed firms implement new technologies that improve both operating efficiencies and profitability tracking. While “the PE company is not going to do anything that’s not going to benefit them in the future,” unwieldy systems would be an encumbrance to PE “when they exit” (P-2):

> *“Going through a diligence phase for that 15-system accounting company gets really complicated very quickly because you’re pulling data from so many different systems. If it’s all on one system, all the data is there already.”* (P-2)

Unsurprisingly then, respondents describe their PE spouse driving automation and software implementation that “the accounting profession desperately needs” (P-7). These technology investments—like MindBridge, DataSnipper, and Sniper (P-4, P-16, P-20)—are then “deployed to our clients” (P-18). PE spouses also help firms with where to start:

> *“The most dangerous place to be is trying to get a [technology] vendor to come help you with a project because they’re going to tell you they can do everything and [then] they can’t do anything. The advantage of having a PE partner who has done that kind of thing somewhere is they know the vendors to use and there’s already a jumpstart.”* (P1)

PE-backed firms also leverage technology funding to streamline attest client management, using new technology to create “new client acceptance portals” (P-8) and monitor “when you think the proposals are going to get decided on” (P-4). These systems also track how close the attest entity is to hitting its goals during the year (P-4). Further, these systems revamp client interactions. The attest function now tracks every client touchpoint because “the more touches, the deeper the connection,” and the greater potential to deliver multiple offerings (P-18). If these technologies do drive deeper connections, they could impact audit quality (Koch and Salterio 2017).

New technologies also support the PE spouse’s emphasis on data-driven management, enabling more detailed profitability tracking and improving internal decision making. Historically accounting firms had “a lot of data” but no “tools or softwares to really understand” it, but now they are using software “to make better business decisions” (P-20). Further, a number of respondents note that PE spouses require an “unbelievable” increase in data collection and reporting (P-9). P-9 says, “They want KPIs and dashboards and slicing every client in industry… that’s what they want to do is just slice and dice data.”

This data-centric approach has enabled shorter-term financial performance accountability and has upended prior assumptions about profitability measurement. Partners face heightened pressure from PE spouses to “hit our billing goals at the end of every month” (P-2). Further, a few respondents describe moving away from traditional profitability metrics like realization rates and “toward more of a gross margin/gross profit model” (P-18).

> *“Ironically, it’s not necessarily your highest rate per hour jobs where you yield the best margin. What we always thought was like, “Hey, we’re making $200 an hour on this job, we’re killing it!” And then we see that the $140 an hour job actually makes more money for the firm because there’s other factors at play.”* (P-8)

These changes could affect not only attest operations but also audit quality. Some prior research finds positive association between profitability and audit quality (Chen, Elemes, Hope, and Yoon 2023), though notably, other research does not (Hoang, Jamal, and Tan 2019).

Attest partners serving lower-margin industries are particularly likely to notice a profitability push, and this can create uncertainty about the future of their practice area. One not-for-profit attest partner manages this push by “leveraging offshore” and utilizing directors instead of partners (P-17). Another respondent “at the lower end of the profitable industries” wonders, “Am I still going to have a job in two years if they sell off my part of the practice?” (P-11).

Ultimately, a number of respondents view the heightened “emphasis on revenues” as a fundamental shift in firm culture: “Everything is driven [by], ‘Gotta get the revenues up. Gotta get the revenues up.’ That’s like a mantra” (S-3). This emphasis, designed to enhance profitability, also introduces new concerns about firm priorities and the balance between revenue generation and audit quality. One partner noted “it is business as usual… unless things start to not go the way that they want them to” (P-10), suggesting PE would then take a more active management role.

Cost Management. A number of respondents also reference an increased focus on cost management as a way to improve profitability. One respondent describes, “finding it hard to push the envelope past a certain amount based on how big our audits are” (P-8). Further, expanding offshore labor is one of the most significant cost-saving measures that PE spouses push, and this increased reliance has elicited mixed reactions. Some are skeptical about offshoring complex work involving “client interaction and project management” (P-7), consistent with adverse audit quality effects identified in prior research (Downey 2018). Others recognize the potential economic boon. P-2 explains, “The labor cost is just so significantly less, if you’re not using it, you’re going to fall behind. For every two people we hire in the US, we’re trying to hire one person [abroad].”

One respondent speculates that cost cutting pressure is particularly strong when PE spouses are preparing to end the PE marriage: “[the firm is] cutting all these costs, so they must be getting ready for a transaction” (P-11). Another describes the cost-cutting timeline:

> *"Maybe the first year you can do what you want. [The PE firm] is figuring it all out. By year two, they're going to start really saying, 'What can we do?' And by year three, any PE guy is going to sit there and go, 'Okay, we're now getting geared up for the next turn. The next two years we've got to really tighten the purse strings.'"* (P-19)

This cost-cutting, especially in regard to offshoring talent, illustrates the ongoing challenge of balancing profitability with professional service quality.

Marriage Dissolution Phase

Ultimately, all PE marriages will inevitably leave the marriage phase and enter the marriage dissolution phase. However, unlike the joint venture dissolutions studied in Peng and Shenkar (2002), a PE divorce is often a sign of success. Below, we discuss divorce expectations and the ensuing uncertainty about the future of PE-backed accounting firms.

Divorce Expectations

Largely, PE divorce is speculative as "we haven't seen a lot of changes in PE-backers or, I'll call it, transaction number twos. I think that'll be interesting" (P-13).[5] As such, our results in this area are preliminary. That said, respondents seem to understand certain parameters well. First, they acknowledge that "at some point" (P-20) "these private equity firms always exit" (P-2). A majority of respondents expect that point to come five to seven years after the PE marriage begins, depending on when the PE firm can "turn this thing for a profit" (P-15).

Second, partners recognize that the PE spouse will, "probably sell off to a different private equity firm" (P-10). Respondents muse that if no new PE suitors are interested, they will "buy it back from PE somehow" (P-6), or "maybe a different fund within the same PE group" will be interested (P-17). Another respondent indicates that transaction number two would not be the last, "Basically, you've got cycles of building the firm and then transitioning the ownership" (P-17).

[5] New Mountain Capital selling their stake in Citrin Cooperman to Blackstone in January 2025 represents one of the first large reselling of accounting practices in the United States (Blackstone 2025).

As transaction counts grow and firms get larger, prospective buyers also change.

> *"We'll do one sale to another PE firm, we'll do another bigger PE firm…. Below a billion, we're attractive to another PE deal…. After that, it'd have to be either an IPO or a massive [industry] consolidation merger type deal."* (P-6)

Respondents appear to take comfort that in structuring the second deal, "we're going to be so much more educated on what it is and what's important to us" (P-16). They also expect the PE partner leaving the marriage will help them discern which "are the right [PE firms] to be looking at" (P-1). In their view, they can be "pickier through this [second] process" because if employees are unhappy and leave, the PE partner's "deal won't happen" (P-16). However, attest partners may not realize that their subsequent deals are unlikely to give them more favorable treatment. The "services agreement is assignable in the event of a change in control," leaving three possibilities for the second deal: "The existing services agreement is assigned to the next buyer, the next [PE] buyer negotiates something equally or more favorable [to them], or there's no deal" (S-2).

Uncertainty

Marriages prosper when partners are committed to a future together (Burgoyne, Reibstein, Edmunds, and Routh 2010). Without this sense of long-term commitment in their PE marriages, attest partners feel uncertain about their future prosperity. For a number of respondents, they worry because "nobody has a crystal ball to tell you what's going to happen 10 years from now, as the firm is sold over and over" (S-3). Respondents' uncertainty centers around the sustainability of profitable deals, regulation, and firm continuation concerns. We discuss each in turn.

Profitable deal sustainability. Respondents question how long they will be able to make PE deals, the sustained profitability of these deals, and whether the attest function will eventually be a casualty of the process. P-18 calls subsequent deals "a leap of faith," asking, "Is there ability for a next transaction, and what does that look like? I think that's the unknown..." P-18 goes on, "Not all of [the turns] are going to work; they just won't." And when they do not work, "what do

I have in exchange for my deferred compensation? I own stock, a minority position, in a company that's controlled by PE" (S-1). Or worse, "there's a chance we may not have a firm in two years" (P-11). One skeptic notes that these structures "didn't work 25 years ago" and worries that unsuccessful turns could lead to "people losing their jobs and going through economic turmoil" (S-3). These economic concerns exacerbate the existing ambiguity families feel, "Candidly, talking to my wife, it's like, 'Well, everything's just on paper,' and she's like, 'I want to see cash flow'" (P-12).

While being able to find the first PE spouse seems easy enough, a number of respondents feel uncertain about whether new investors will be there "down the road" (P-13). One partner feels confident that "there will be continued buyers of accounting firms" because "the amount of money coming into the private equity industry has gone through the roof" (P-5). Far more often, however, respondents talk about "a ceiling on just how much we can continue" (P-12). "As you get bigger, the multiple [gets] smaller," (P-8) and thus the firm becomes less appealing for a downstream PE suitor. After all, "how much value can you create?" (P-13).

> *"I'm just trying to get to the next turn… If we sold at a billion dollars of revenue, and we're trying to now get to $3 billion of revenue, well, that's a whole 'nother ballgame. … How are you getting it from $3 billion to $10 billion? I don't know if it's feasible…. There's not going to be four Google accounting firms. At some point, the market cap doesn't make any sense."* (P-8)

Also, while existing attest partners enjoy windfalls from the initial PE deal, respondents are unsure whether *downstream* PE deals will be profitable: "I'll be quite honest, how personally lucrative is it, right?" (P-13). They look forward to "proof" that "there's actually a significant benefit" (P-2). A specialist is skeptical, "Yeah, I don't think there's going to be a payout through the CPA firm in deal two…. I don't think there's any expectation of significant economics" (S-2). This outcome would especially trouble incoming partners who depend on a second deal payout to pay off their steep partner buy-in loans.

In regards to the attest entity in particular, one specialist remarks that it could be spun off if "the next buyer is not interested" (S-2). However, an attest partner comments that this concern is "alleviated a little bit" because "most of my investment is in the advisory practice and not in the audit practice, so as long as I get paid, I don't care" (P-6).

Regulation and firm continuation. A senior manager notes that while PE is rapidly investing in accounting, "what would absolutely grind all of this to a halt is if some regulator steps in and brings a big enforcement case" (S-2). A few respondents believe regulation could result from the degradation of independence and ethical decision-making. That is, attest employees could "feel the pressure economically from the private equity" to "skat[e] corners and all that" (P-18). At the extreme, one respondent shares, "My honest opinion is: I think that this is the setup for the next major accounting scandal. That's what I think" (P-7). P-17 acknowledges, "if there's an Enron out there, it's going to ruin this whole thing for all of us." One respondent says that PE "knows that [independence] is an issue" but is trying to "get onto the second round of buyouts before there's a [regulatory] ruling" (P-7).

Respondents also share uncertainties about the viability of "career paths for… our seniors, our managers, our directors" and succession planning "5, 10, 15 years down the road" (P-9). A few partners reference telling their children, who are college students majoring in accounting, "I don't know what [PE-backing] means for you" (P-19). One laments, "I just don't know if there's an avenue where [my child is] ever going to get any piece of the pie [at a PE-backed firm]" (P-8). These shifting perceptions could lead to "a different kind of person [becoming] a partner" (P-17).

However, some respondents feel that the uncertainties accompanying PE marriage are not unlike in the past when firms "had to bet on yourself" (P-1). Since firms could not "continue to deliver services the way [they] had historically delivered them" (P-3), doing "nothing" would only lead to a “false sense of security” (P-16). “So, there was a risk there as well” which in the end felt like “trading a known for an unknown, a possibility” (P-14).

V. DISCUSSION AND CONCLUSION

Our study reveals a complex and sometimes contradictory set of outcomes from accounting firms’ PE marriages, particularly with regard to potential audit quality implications. Participants describe PE capital infusion enabling investments in technology and offshore personnel resources, which could improve attest efficiency. Further, heightened performance pressures and operational accountability could tighten attestation timeframes. However, it is unclear whether these potential efficiency improvements drive increases in quality. Prior literature documents that structural and strategic changes most akin to PE-driven changes have mixed effects on audit quality. For example, some studies suggest that audit quality improves when advisory and attest services’ objectives align (Donelson, Ege, Imdieke, and Maksymov 2020). Others point to distraction effects, especially in offices where nonattest services dominate or office managing partners have backgrounds in nonattest services (Beardsley, Imdieke, and Omer 2021; Mowchan 2023). The complexity that our respondents surface points to the need for future research. In particular, how does PE investment affect average audit quality, attest fees, attest conservatism, attest employee effort, and attest employee retention, and do these effects differ across the PE marriage lifecycle?

Our respondents indicate that audit quality is also impacted by PE-backed firms’ intense growth-by-acquisition strategy. Acquisitions seem burdensome and distracting but also seem to impose higher audit quality on acquired firms. Prior research shows that mergers among smaller firms are associated with declines in audit quality, as resource limitations may undermine effectiveness (Christensen et al. 2023). In contrast, Big Four firms’ acquisitions of smaller firms improve audit quality, likely due to the competence of Big Four firms’ attest employees (Jiang, Wang, and Wang 2019). While PE-backed firms’ acquisitions often more closely resemble this latter dynamic, PE-backed acquirers remain considerably smaller and less infrastructurally mature than Big Four firms. This raises uncertainty about whether PE-driven acquisition strategies improve or undermine audit quality. As such, future research can examine how audit quality outcomes from PE-driven acquisitions compare to these other acquisition outcomes. Our findings also call for research on how PE investment affects clients', jurors', and markets' perceptions of audit quality.

Beyond audit quality, our findings raise important concerns around auditor independence. The formal APS structure preserves legal independence between the attest and nonattest entities, but respondents describe a more complex reality. That is, our attest respondents nonetheless seem to view the PE–accounting firm relationship as a marriage, which blurs critical independence boundaries. Resource allocation, growth targets, and other strategic priorities flow from the PE spouse through the nonattest entity to influence the attest entity. Moreover, attest partners remain directly employed by the nonattest entity. Our insights reveal that these arrangements create "soft power" dynamics in favor of the PE spouse. This imbalance, embedded in the design of the APS, challenges the assumption that audit quality and independence can be fully safeguarded through structural separation alone. Indeed, in a 2025 Ethics Memorandum, the AICPA warns that APS structures may pose undue influence that safeguards insufficiently mitigate (AICPA 2025b). Our insights give credence to this concern.

The independence concerns stemming from PE power asymmetries differ from traditional independence concerns stemming from untoward client relationships, which have been rigorously researched. By contrast, following PE investment, attest employees feel accountable to operating within the purview of a third-party influence with unique incentives: the PE spouse. This atypical independence threat draws regulators' perceptions into particular interest, leaving open questions about effects on external reviews, enforcement actions, and disclosure obligations.

Our study highlights rich areas for fruitful research. In Table 4, we outline the open avenues for future inquiry discussed herein. This roadmap also offers additional questions like, how does PE investment affect attest market concentration, attest client risk profiles, engagement with high-growth clients, and coordination between attest and advisory or tax practices? Could the tension between the attest entity's integrity and financial performance shift the profession's culture in subtle but consequential ways, ultimately impacting professional judgment and skepticism? How does PE investment affect the efficiency and effectiveness of the nonattest entity? How does PE investment affect the future of the accounting industry, for instance, by changing people's perceptions of accounting as a career? We call for more research in these areas.

Our study also offers important implications for practice. For firm leaders, we highlight the cultural and operational complexities introduced by PE investment and suggest that sustaining audit quality may require guardrails beyond structural separation. For regulators, our data underscore the limitations of current independence frameworks for fully addressing the influence PE exerts through nonattest entities. Clients and market participants, too, may benefit from clearer visibility into how PE ownership dynamics shape the delivery of attest services. In sum, understanding the lived consequences of combining accounting and PE firms is essential for anyone invested in the future of attestation and the accounting profession.

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Appendix I

PE-Backed Firms' Acquisitions (Non-comprehensive)

Firm Acquired	Acquiring Firm*	Date Acquired
Kirsch Kohn Bridge	Aprio	November 2024
Elite Tax and Accounting	Aprio	December 2024
KRD Ltd.	Aprio	December 2024
Pontiff + Associates	Aprio	December 2024
Securitybricks	Aprio	December 2024
Nardone, Pridgeon & Company	Aprio	January 2025
Mangold Anker Phillips	Aprio	February 2025
Holtzman Partners	Armanino	January 2022
Blue Sky Group	Armanino	April 2023
Bemel, Ross, & Avedon	Armanino	June 2023
Janover LLC	Armanino	November 2023
CBS	Armanino	February 2025
Complete Business Solutions	Armanino	February 2025
Opsahl Dawson	Ascend	January 2023
PP&Co	Ascend	February 2024
Blackman & Sloop	Ascend	October 2024
Lucas Horsfall	Ascend	October 2024
TSS Advisors	Ascend	October 2024
Seiler LLC	Baker Tilly	May 2024
Alirrium	Baker Tilly	October 2024
CironeFriedberg	Baker Tilly	February 2025
Hancock Askew	Baker Tilly	February 2025
Hayflich CPA	Baker Tilly	February 2025
CapinCrouse	Carr, Riggs, & Ingram LLC	January 2025
Accume Partners	Cherry Bekaert	October 2022
Treacy & Co	Cherry Bekaert	December 2022
Legier & Co	Cherry Bekaert	June 2023
MCM CPAs	Cherry Bekaert	August 2023
Cordia Partners and Cordia Resources	Cherry Bekaert	September 2023
PKF Mueller	Cherry Bekaert	October 2023
Kerr Consulting	Cherry Bekaert	August 2024
ArcherPoint	Cherry Bekaert	October 2024
Suite Engine	Cherry Bekaert	October 2024
Deblanc Murphy & Murphy	Cherry Bekaert	December 2024
Katz Nannis & Solomon	Cherry Bekaert	December 2024

Berdon LLP	Citrin Cooperman	February 2023
MIBAR	Citrin Cooperman	January 2024
Maier Markey & Justice LLP	Citrin Cooperman	May 2024
Teplitzky & Co	Citrin Cooperman	October 2024
Clearview Group	Citrin Cooperman	November 2024
Signature Analytics	Citrin Cooperman	November 2024
Andsager, Bartlett & Pieroni, LLP	Citrin Cooperman	December 2024
HW & Co	Citrin Cooperman	February 2025
Tax Wealth Management, Inc	Cohen & Company	December 2024
Tassi & Co	Cohen & Company	March 2025
Biggs, Hausserman, Thompson, & Dickinson	Doeren Mayhew Assurance	November 2024
Thurman Campbell Group	Doeren Mayhew Assurance	March 2025
Popper & Co	EisnerAmper	March 2022
Raich Ende Malter & Co	EisnerAmper	June 2022
Lurie	EisnerAmper	August 2022
Hoffman Group	EisnerAmper	October 2022
Lindsay & Brownell	EisnerAmper	November 2022
Postlethwaite & Netterville	EisnerAmper	April 2023
Morrison & Morrison	EisnerAmper	May 2023
Spielman Koenigsberg & Parker	EisnerAmper	November 2023
Hughes Pittman & Gupton	EisnerAmper	December 2023
Tidwell Group	EisnerAmper	March 2024
Edelstein & Co	EisnerAmper	May 2024
Krost CPAs	EisnerAmper	August 2024
Tighe Kress & Orr	EisnerAmper	September 2024
HDA Accounting Group	EisnerAmper	January 2025
Stratus Group	NDH	November 2023
Jain & Jain	NDH	February 2024
McGowan Guntermann	NDH	June 2024
Bjorklund & Montplaisir CPAs	Platform Accounting Group	February 2024
James L. Shook CPA	Platform Accounting Group	February 2024
Parsons and Germer CPAs	Platform Accounting Group	February 2024
D.H. Scott & Company	Platform Accounting Group	December 2024
Peachin Schwartz + Weingardt	Platform Accounting Group	December 2024
Philip+Rae & Associates	Platform Accounting Group	December 2024
Adelman Katz & Mond	Platform Accounting Group	January 2025
Heckman & Laudeman	Platform Accounting Group	February 2025
Scott S. Perry, CPA PLLC	Schellman & Company	January 2022
Cohen & Co's SOC Practice	Schellman & Company	August 2023
INSYTE CPA	Schellman & Company	August 2024

Sustas, LLC	Schellman & Company	November 2024
Connor Consulting's TPRM Practice	Schellman & Company	December 2024
Saggar & Rosenberg	Sikich	August 2024
Market Street Partners	Smith & Howard	August 2023
VIP Search Group & Solutions Group	Smith & Howard	May 2024
Fahrenheit Advisors	Smith & Howard	December 2024
Smith Kesler & Co	Smith & Howard	February 2025
BGBC	Springline Advisory	January 2024
Clark, Raymond & Co.	Springline Advisory	December 2024
HM&M	Springline Advisory	December 2024
Fiske Advisory	Springline Advisory	January 2025
EFPR Advisory	Springline Advisory	February 2025
Botz Deal & Co	UHY	January 2025
TBR	UHY	January 2025
Lumenore	UHY	March 2025
Harris	Sorren	May 2025
SBF Advisors	Sorren	May 2025
KDP Advisors	Sorren	May 2025
Stockman Kast Ryan + Company	Sorren	May 2025
KMA Advisors	Sorren	May 2025

***** *The non-attest (attest) entity of the PE-backed firm acquires the non-attest (attest) entity of the target firm. For simplicity, we use the generic PE-backed firm name.*

Appendix II

Sample Interview Protocol

Note: This protocol is illustrative and includes potential follow-up prompts for reference.

1. Can you provide us with an overview of your career and how you ended up in your current position?

2. What were your initial thoughts when you learned that your firm had a potential PE deal in the works?

3. What did you see as the main benefits to the deal? What were your main concerns?

   Potential follow-up prompts:

   a. What did you consider when deciding how to vote on the decision to take the deal?
   b. Did you see any benefits or concerns specifically related to the audit function?
   c. Why did your firm decide to move forward with a PE deal rather than another form of capital fusion?
   d. No one has ever done a "second deal", how did that affect your decision to do a PE deal?

4. How did the deal affect the firm structure, particularly in regards to the two firm entities?

   Potential follow-up prompts:

   a. Why did the firm decide on this structure?
   b. Did you have discussions with regulators when deciding on this structure?
   c. Have you seen greater growth or investment in one entity versus the other?
   d. Has the importance of the audit function changed since the PE deal?
   e. Were there incentives or penalties to encourage partners to stay?

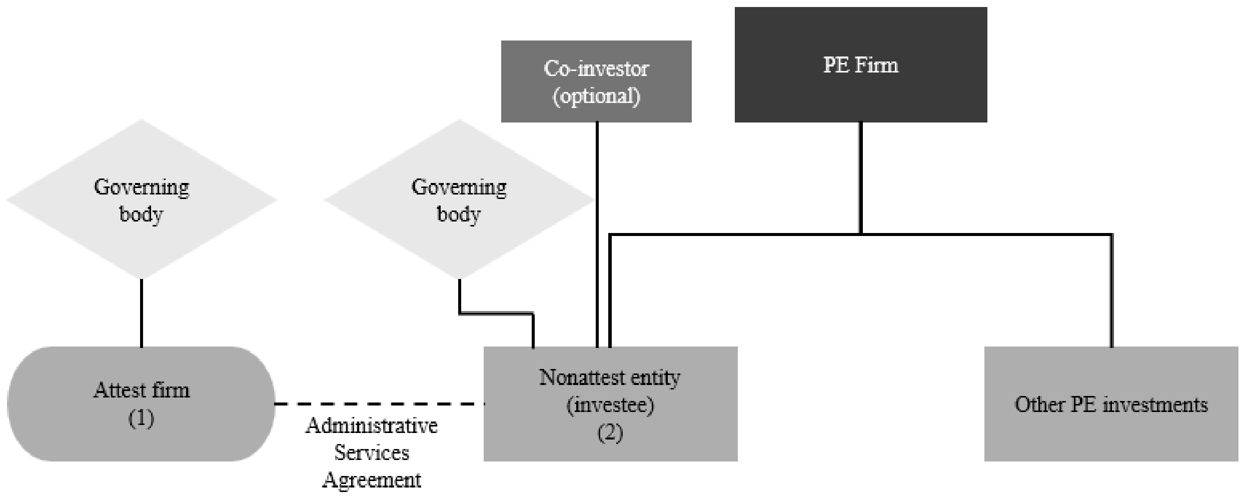
5. What changes were made to firm operations after the PE deal went through?

   Potential follow-up prompts:

   a. Has offshoring use changed?
   b. What has it been like having to integrate different audit firms?
   c. How involved is the PE firm in both strategy and day to day operations?
   d. When and how do you hear from the PE firm?
   e. How are audit fees and promotions determined?
   f. Has the PE deal affected winning new business or current client satisfaction?

Figure 1

Alternative Practice Structure



NOTES:

(1) Owners are attest firm partners. Partners and employees are leased from the nonattest entity.
(2) Owners include PE investor, attest firm partners, nonattest entity principals, co-investors, and limited partners.

Adapted from AICPA (2025b).

Figure 2

Marriage Metaphor

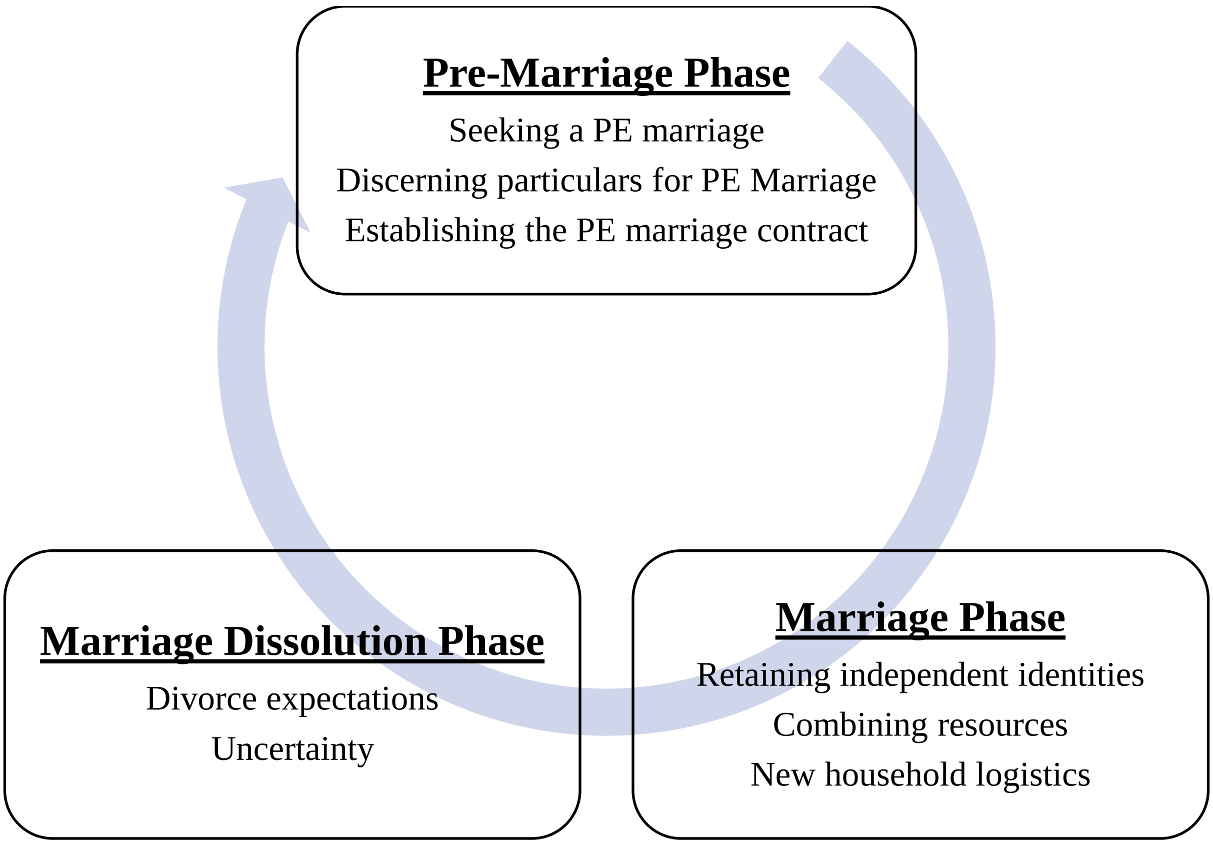


Table 1

PE Marriages

Accounting Firm	Accounting Today 2024 Rank	2024 Firm Revenue (millions)	Date of PE Investment Announcement	PE Firm	APS with Assurance Services	Audits Public Companies
EisnerAmper LLP	17	$848.70	August 2021	Towerbrook Capital Partners	Yes	Yes
Schellman & Company, LLC	47	$148.53	September 2021	Lightyear Capital	Yes	No
Citrin Cooperman & Company, LLP	18	$700.00	April 2022	New Mountain Capital	Yes	Yes
Cherry Bekaert LLP	21	$585.00	June 2022	Parthenon Capital	Yes	Yes
Smith & Howard, PC	>100	$54.00	November 2022	Broad Sky Partners	Yes	No
Ascend	59	$126.05	January 2023	Alpine Investors	Yes	No
MarksNelson, LLC*	>100	$36.87	February 2023	Trinity Hunt Partners	Yes	No
NDH LLP†	>100	--	May 2023	Unity Partners	No	No
Your Part-Time Controller LLC	65	$99.02	November 2023	Pamlico Capital	No	No
Harris CPAs PC	>100	$15.78	January 2024	DFW Capital	Yes	No
WSRP	>100	--	January 2024	F3 Partners	Yes	Yes
Baker Tilly US, LLP	10	$1,584.40	February 2024	Hellman & Friedman, Valeas Capital Partners	Yes	Yes
Platform Accounting Group	>100	--	February 2024	Cynosure Group, Swell Capital, Peery Partners	Yes	No
Grant Thornton LLP	7	$2,362.18	March 2024	New Mountain Capital	Yes	Yes
Sikich CPA LLC	27	$363.77	May 2024	Bain Capital	Yes	No
Aprio LLP	25	$420.79	July 2024	Charlesbank Capital Partners	Yes	No
Doeren Mayhew Assurance	53	$137.30	August 2024	Audax Private Equity	Yes	No
Armanino	19	$658.00	October 2024	Further Global Capital Management	Yes	Yes
Cohen & Company, Ltd.	46	$152.50	October 2024	Lovell Minnick Partners	Yes	Yes§
Carr, Riggs, & Ingram LLC	24	$455.36	November 2024	Centerbridge Partners, Bessemer Venture Partners	Yes	Yes

PKF O'Connor Davies, LLP	26	$380	November 2024	Investcorp, Public Sector Pension Investment Board	Yes	Yes
UHY	29	$349.70	December 2024	Summit Partners	Yes	Yes
CohnReznick	16	$1,000.00	February 2025	Apax Funds	Yes	Yes

***** *Rebranded as Springline Advisory in January 2024.*

† *Rebranded as Prosperity Partners in September 2024.*

§ *Announced in July 2023 that they are moving away from public company audits.*

Table 2

Participant Demographics and Interview Length

Participant Identifier	Position*	Years of Accounting Experience	Accounting Firm	Interview Length (minutes)
P-1	Partner	31	Firm 1	59
P-2	Partner	14	Firm 2	58
P-3	Partner	46	Firm 3	57
P-4	Partner	36	Firm 1	56
P-5	Partner	24	Firm 4	58
P-6	Partner	27	Firm 1	58
P-7	Partner	13	Firm 5	63
P-8	Partner	24	Firm 1	61
P-9	Partner	21	Firm 6	64
P-10†	Senior Manager, Partner	16	Firm 7	37, 23
P-11	Partner	24	Firm 3	53
P-12	Partner	19	Firm 3	54
P-13	Partner	22	Firm 3	55
P-14	Partner	19	Firm 1	58
P-15	Partner	35	Firm 1	70
P-16	Partner	22	Firm 1	60
P-17	Partner	19	Firm 1	59
P-18	Partner	38	Firm 1	62
P-19	Partner	25	Firm 3	60
P-20	Partner	28	Firm 1	49
SM-1	Senior Manager	12	Firm 7	54
S-1	Consultant	43	N/A	41
S-2	Consultant	22	N/A	57
S-3	Advisory Partner	48	Firm 3	37

***** *Although some respondents now serve in leadership roles within their firm, we do not identify them to protect anonymity.*

† We interviewed P-10 twice, first when the respondent was a senior manager and second when the respondent had been promoted to partner.

Table 3

Key Findings

Marriage Phase	**Theme**	**Takeaways**
Pre-Marriage	Seeking a PE marriage	• A potential PE marriage is a preferable method for capital infusion relative to alternatives. • A potential PE marriage can be the means for fulfilling retirement obligations as well as for maintaining or expanding firm vision.
	Discerning particulars for the PE marriage	• Accounting firms court several PE suitors—a few seriously. • Accounting firms look for PE suitors with industry understanding and cultural fit. • For established accounting firms, earlier marriage is more financially rewarding.
	Establishing the marriage contract	• Accounting firms revise their legal structure to separate the attest and nonattest entities and also reconfigure their board. • Accounting firms prepare to compensate partners differently, and while existing partners get a "phenomenal deal," upcoming partners get "screwed."
Marriage	Retaining independent identities	• While the PE-backed legal structure meets independence requirements, the separation between attest and nonattest entities is "on paper" only. • PE spouses are not "in the weeds" of attestation but excerpt soft power over the attest entity through strategic guidance and a shift in accountability perceptions • PE marriage does not seem to directly and negatively affect audit quality, but beneath the surface, independence concerns lurk, with non-compete agreements as evidence that PE-backed firms do not always treat the attest function as a distinct entity
	Combining resources	• Accounting firms primarily contribute attest expertise and secondarily clientele to the PE marriage, but ultimately the power in the marriage shifts toward the PE spouse. • PE-backed firms recognize this personnel contribution, as evidenced by using equity to retain talent even outside of the partner group. • Despite this recognition, advanced partners perceive the PE marriage as a way to accelerate retirement, leaving succession planning an open question. • PE firms contribute specialized business knowledge to the marriage, which helps PE-backed firm think and operate differently
		• PE-backed firms shift from partner decision making power to a corporate decision making structure.

		• Acquisitions drive PE-backed firms from a traditional accounting focus to a geographically dispersed firm with more of a multi-service model • PE-backed firms feel cultural tensions—for example, acquisitions are painful, making partners at smaller firms feel devalued and can even negatively affect client relationships
	New household logistics	• PE-backed firms begin to heavily introduce technological resources for internal decision making and client management • PE-backed firms track profitability more closely, granularly, and wisely • PE-backed firms are more cost concerned and turn to offshoring • PE-backed firms put greater emphasis on short-term financial performance for both partners and service lines • PE-backed firms struggle with operational inefficiencies arising from more "red tape" around checks and balances
Marriage dissolution	Divorce expectations	• Respondents expect to begin a new PE marriage in five to seven years, a marriage for which they expect to be better prepared.
	Uncertainty	• Respondents question how many PE deal turns are viable before there are no buyers due to the largess of the PE-backed firm or before the turns are no longer profitable to partners • Some respondents worry that PE marriages could lead to accounting scandal and regulatory crackdown

Table 4

Suggestions for Future Research

Topic	**Potential Questions for Future Research**
Audit quality, fees, and market concentration	1. How does PE investment affect audit quality, attest fees, and attest employee conservatism? Do these effects differ across the stages of the PE marriage? 2. Do acquired firms experience changes in audit quality after integration into a PE-backed accounting platform? 3. What effect does PE investment have on attest market concentration at the local and national levels? 4. How does PE investment affect the effectiveness and efficiency of the nonattest entity? 5. Are accounting firms that do not secure PE investment more likely to dissolve? 6. Does PE involvement influence the risk profile of attestation clients?
Attest employee behavior, effort, and professional identity	1. How does PE investment affect attest employee effort, job satisfaction, retention, and turnover intentions across different levels of seniority? 2. Do attest partners with limited strategic influence under the new ownership structure change their approach to professional judgment or engagement management? 3. In what ways do cultural shifts brought about by the PE marriages such as performance metrics, growth targets, or client selection affect attest employees' ethical reasoning, professional skepticism, or attest execution? 4. How does the APS affect attest employees' coordination with and reliance on tax or advisory specialists? 5. How does PE investment change perceptions of accounting as a career, particularly among students and early-career professionals?
Client, investor, and market perceptions	1. How do capital markets respond to attestation opinions issued by PE-backed firms versus traditional, partner-owned firms? 2. How do jurors view attest opinions issued by PE-backed versus traditional, partner-owned firms? 3. Do PE-backed firms experience increased regulatory scrutiny? If so, how does it manifest in external reviews, enforcement actions, or disclosure obligations? 4. How does PE investment affect client satisfaction? Do clients perceive a difference in audit quality or independence? 5. Do high-profile or high-growth clients preferentially engage with PE-backed firms?