



CHECKLIST

# PE Investment Readiness for Accounting Firms

A step-by-step guide to prepare your firm for private equity investment.



Private equity firms seek accounting practices with scalable operations, strong governance, and reliable data. Use this checklist to assess your firm's readiness across financial, operational, technological, legal, and cultural dimensions.

PRO TIP

Start your preparation 12–18 months before engaging with potential investors. Early readiness increases valuation and reduces diligence friction.

## 💰 Financial & Operational Readiness

### Financial Documentation

- 3-5 years of audited financial statements
- Revenue breakdown by service line (tax, audit, advisory)
- Key metrics: Net production per person, realization rates, average billing rates by service, client concentration, growth trends
- Detailed budget and financial projections
- Recurring vs. project-based revenue analysis

**WHY IT MATTERS:** Investors expect a transparent and well-documented financial history to evaluate performance and scalability.

**RED FLAG:** Missing audit years or inconsistent revenue records.

### Client Analysis

- Client profitability analysis
- Identify the top 20% of clients by revenue
- Client retention and satisfaction rates
- Analyze industry and geographic concentrations
- Review client contracts and engagement letters

**WHY IT MATTERS:** Strong client analytics demonstrate stability, profitability, and growth potential.

**RED FLAG:** Overreliance on top clients or industry concentration.

## 🔗 Technology Infrastructure

### Current State Assessment

- Complete IT inventory (hardware, software, hosting)
- Document software applications; versions and licenses
- Review technology contracts, vendor and licensing agreements
- Evaluate cloud vs. on-premises infrastructure
- Assess cybersecurity protocols and backup systems

**WHY IT MATTERS:** Technology maturity signals scalability and operational efficiency.

**RED FLAG:** Unsupported or outdated systems.

### Technology Readiness

- Verify all systems are current and licensed
- Document integration capabilities
- Assess infrastructure scalability
- Review data security compliance
- Evaluate remote work functionality


**WHY IT MATTERS:** Investors value firms prepared for secure integration and scalable growth.


**RED FLAG:** Gaps in compliance or outdated security controls.

## Legal & Compliance

### Documentation Review


- Partnership and shareholder agreements
- Updated operating agreements
- All contracts, leases, and debt documentation
- Employment and non-compete agreements
- Current regulatory filings


 **WHY IT MATTERS:**  
Organized legal records reduce delays and risk during due diligence.

 **RED FLAG:**  
Missing or conflicting legal documents.

### Risk Assessment

- Professional liability insurance review
- Pending litigation or claims
- Review quality control procedures
- Verify regulatory compliance
- Flag potential deal breakers


 **WHY IT MATTERS:**  
Identifying potential risks early strengthens negotiation position and valuation.


 **RED FLAG:**  
Pending claims or incomplete compliance documentation.

## Human Resources

### Talent Assessment


- Updated organizational chart
- Document tenure and expertise of key personnel
- Review compensation and benefits
- Identify succession plans for key positions
- Evaluate staff utilization and training programs


 **WHY IT MATTERS:**  
Skilled, stable leadership reassures investors of firm continuity and scalability.

 **RED FLAG:**  
Undefined succession planning or leadership gaps.

### Culture & Integration

- Define firm culture and values
- Assess alignment with potential PE firm values
- Evaluate staff readiness for change
- Plan internal communications for the PE process


 **WHY IT MATTERS:**  
Cultural alignment determines post-transaction success.


 **RED FLAG:**  
Low employee buy-in or unclear communication plan.

## Strategic Planning

### Growth Strategy


- Document current market position
- Identify growth opportunities by service line
- Define acquisition or expansion plans
- Assess competitive positioning
- Clarify value proposition and differentiators


 **WHY IT MATTERS:**  
A clear growth strategy signals to investors that the firm can scale efficiently.

 **RED FLAG:**  
Undefined or outdated growth roadmap.

### Operational Excellence

- Document key processes and workflows
- Identify process improvement opportunities
- Record best practices and intellectual property
- Assess scalability of operations


 **WHY IT MATTERS:**  
Efficient, standardized operations drive profitability and investor confidence.

 **RED FLAG:**  
Reliance on manual or undocumented workflows.

## Due Diligence Preparation

### Data Setup


- Organize documents electronically
- Create executive summary of firm
- Prepare management presentation
- Compile historical performance data
- Document key client relationships


 **WHY IT MATTERS:**  
A well-structured data room shortens diligence cycles and builds trust.

 **RED FLAG:**  
Missing or inconsistent records.

### Leadership Preparation

- Align leadership team on PE objectives
- Prepare for management interviews
- Define negotiation priorities
- Determine post-transaction roles
- Establish valuation expectations


 **WHY IT MATTERS:**  
Unified leadership enhances negotiation effectiveness.


 **RED FLAG:**  
Misaligned leadership goals or unclear responsibilities.

## Pre-Transaction Improvements

### Quick Wins (3-6 months before)


- Clean up financial reporting
- Standardize operations and processes
- Resolve compliance gaps
- Optimize billing and collections
- Strengthen client contracts


 **WHY IT MATTERS:**  
Addressing issues early improves valuation and speeds closing.

 **RED FLAG:**  
Repetitive errors in financial or process documentation.

### Technology Optimization

- Migrate to cloud-based systems
- Standardize core software platforms
- Enhance cybersecurity protocols
- Implement workflow automation
- Replace outdated hardware


 **WHY IT MATTERS:**  
A modernized tech stack supports post-deal integration and automation.


 **RED FLAG:**  
Fragmented systems or inconsistent technology standards.

## Communication Planning

### Internal Communications


- Develop staff communication timeline
- Prepare employee FAQs
- Plan retention strategies
- Address cultural integration concerns

 **WHY IT MATTERS:**  
Transparent internal communication sustains trust during transition.

 **RED FLAG:**  
Employee uncertainty or misinformation.

### External Communications

- Client communication strategy
- Client retention plan
- Vendor and partner notifications
- PR and marketing plan

 **WHY IT MATTERS:**  
Proactive outreach preserves client and vendor confidence.

 **RED FLAG:**  
Delayed or inconsistent messaging.

## ☰ Final Preparations

### Deal Readiness

- Engage experienced M&A advisors and transaction attorney
- Identify integration team members
- Establish deal timeline
- Prepare for due diligence period
- Document key client relationships

#### WHY IT MATTERS:

A thoughtful post-close plan protects deal value by aligning teams, integrating systems, and setting measurable milestones for the first 100 days and beyond.

### Post-Close Planning

- Develop 100-day integration plan
- Identify synergy opportunities
- Plan technology and process integration
- Define new reporting requirements
- Create change management strategy

#### WHY IT MATTERS:

A thoughtful post-close plan protects deal value by aligning teams, integrating systems, and setting measurable milestones for the first 100 days and beyond.

**Note:** This checklist should be customized based on your firm's specific situation. Consider engaging M&A advisors early in the process to help prioritize these items and identify any firm-specific considerations.

## Key Success Factors

- ✓ Start preparations 12-18 months before engaging with PE firms
- ✓ Focus on demonstrating scalability and growth potential
- ✓ Ensure technology infrastructure can support rapid expansion
- ✓ Document everything—PE firms value well-organized, data-driven firms
- ✓ Be prepared for significant changes in operations and culture

Preparing your firm for private equity investment takes time, structure, and focus. This checklist gives you the framework—but getting it done efficiently requires more than a list. It takes technology, expertise, and a partner who understands the nuances of accounting firm operations.

With the right provider, you can streamline documentation, centralize data, and modernize your tech stack—all while keeping day-to-day work uninterrupted. A partner experienced in both accounting firm strategy and technology enablement can help you identify readiness gaps, implement secure systems, and align your leadership team before investors start asking questions.

Your firm doesn't need to navigate this process alone.

## Ready to make your PE readiness journey easier?

Partner with a technology provider who knows how accounting firms work—and how to help them scale.

To learn more visit [rightworks.com/growthandscale/](https://rightworks.com/growthandscale/)