



July 18, 2016

Professional Ethics Executive Committee
Professional Ethics Division
American Institute of Certified Public Accountants
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Attention: Lisa A. Snyder, Director

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Via e-mail: lsnyder@aicpa.org

Re: Comments on Exposure Draft, *Hosting Services*, AICPA Professional Ethics Division dated May 16, 2016

Dear Ms. Snyder and Committee Members:

Grant Thornton LLP (“Grant Thornton”) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (“AICPA”) Professional Ethics Executive Committee’s (“PEEC”) May 2016 Exposure Draft, which provides a new independence interpretation and guidance to members on the provision of hosting services for clients where a client engages a member to have custody or control of data or records that the client uses to conduct its operations.

Grant Thornton supports PEEC’s position that a new independence interpretation and guidance is needed to address “hosting services,” as we agree it is management’s responsibility to have custody and control over its assets. We also agree it is important to provide examples for our members of what is and is not considered hosting services due to the advancement of information technology services being performed by our members. Additional examples not covered in the new interpretation could be addressed in other non-authoritative guidance (such as a frequently asked questions document).

We provide the following specific comments for PEEC’s consideration.

Proposed Interpretation [1.295.143]: “Hosting Services”

- Paragraph 02.a. of the proposed interpretation addresses “Acting as the attest client’s business continuity or disaster recovery provider.” However, it is unclear whether the intent of this paragraph includes situations where the member is acting in an advisory capacity only to assist in developing the business continuity or disaster recovery plan or testing of a plan. If it is not the intent, we recommend parenthetical clarification such as (not including

business continuity or disaster recovery planning/advisory services) or clarify in non-authoritative guidance.

- The third paragraph (.03) of the proposed interpretation addresses examples of services not considered hosting. We have the following comments:
 - PEEC should considering including an additional example of what is not considered hosting that involves assisting attest clients with migration of data to a third-party provider. For example, ABC Co., a private attest client, determines it will move its existing on premise operating data system platform to a third-party service provider. The services will not include design, configuration or data room to manage attest client data. ABC Co. has requested assistance to identify recommendations for them to consider related to like-to-like migration of their data and applications to a third-party service provider based on the criteria established by client management, including assistance with the data migration.
 - Paragraph 03.b. We suggest removing the last phrase “that the *member* was engaged to prepare” as it is redundant.
 - Paragraph 03.c. We believe PEEC should consider providing guidance to members on what a reasonable time period would be to keep information on a portal. For example, up to 1 year could be reasonable and not viewed as hosting/being the attest client’s repository.
 - Paragraph 03.d.
 - We suggest providing further clarification with respect to what is meant by the “use of software” in the interpretation or non-authoritative guidance. For example, when a member is evaluating independence in relation to licensing software, how should the member take into consideration the following: software developed by the member vs. a third-party, or a third-party with whom the member has a teaming relationship; software used to analyze data relevant to financial reporting; or software hosted in the client’s information technology infrastructure or a third-party infrastructure such as a cloud.
 - PEEC to consider providing further clarity around the last sentence of paragraph 03.d. by adding a sentence with an example of one or more software activities that if performed by a member would not impair independence:

Effective date

Grant Thornton agrees with PEEC that a delayed effective date of six-months from the date it is published in the *Journal of Accountancy* would be reasonable for members to complete any existing contracts they may have in place to provide hosting services and if PEEC provides additional guidance and clarity, as this will allow firms to avail themselves of the new interpretation. However, smaller firms may not currently be viewing certain hosting services as prohibited, therefore, did PEEC consider the independence implications if a member has provided hosting services during the professional engagement period of an attest engagement that is currently in process. Therefore, it may be more appropriate for PEEC to align the effective date to an

engagement period. For example, the effective date could be for engagement periods beginning or after June 30, 2017.

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We would be pleased to discuss our letter with you. If you have any questions, please contact Trent Gazzaway, National Managing Partner of Professional Standards, at Trent.Gazzaway@us.gt.com or (704) 632-6834.

Very truly yours,

