

July 18, 2016

AICPA Professional Ethics Executive Committee  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, NC 27707  
Lisa A Snyder, Director of the Professional Ethics Division

Via e-mail to: lsnyder@aicpa.org

**RE: EXPOSURE DRAFT DATED MAY 16, 2016 – HOSTING SERVICES PROPOSED  
INTERPRETATION**

Ladies and Gentlemen:

The Accounting Principles and Auditing Procedures Committee (“Committee”) is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of members who are affiliated with public accounting firms of various sizes as well as members in both industry and academia. The majority of the members of the Committee primarily serve small and medium sized clients. The Committee has reviewed and discussed the above referred to proposal. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the organizations with which the Committee members are affiliated.

First the Committee thanks the AICPA Professional Ethics Executive Committee (“PEEC”) for the opportunity to comment on this Exposure Draft.

The members of the Committee mainly are preparers, auditors and advisors to small and medium sized entities.

**GENERAL COMMENT**

The Committee strongly disagrees with the proposal. It is felt by the Committee that this would be very troublesome to small and medium entities.

The Committee feels that in the case of small and medium entities procedures could be put in place to safeguard that the bookkeeping information needed to prepare and present financial statement would reflect that of the client and not be judged as a management function.

To illustrate this point the Committee cites the following example:

Client is a small or medium sized entity that records all disbursements in its checkbook and identifies the type of expense on the checkbook stub. During the course of providing bookkeeping the accountant assigns general ledger account numbers based on the type of expense and records these payment in client’s accounting system. Under Frequently Asked Questions: Non attest

Services question 4 this is not deemed to impair independence. A copy of the FAQ is enclosed herewith

The client's accounting system software used is located on the accountant's server. The Committee believes the location of the software on the accountant server would not impair independence provided proper safeguard are put in place. These safeguard could involve properly documenting the client taking responsibility for all input and output of the bookkeeping. The use of engagement letters could be used to document these safeguards and should be mandatory.

The Committee feels that in the case illustrated above the accountant would not have control of the client data or records.

Under this proposal the same services could be provided to the client thru cloud computing and be in compliance with the proposed hosting standards. However the Committee sees this as not different then providing the services thru software located on the accountant's server.

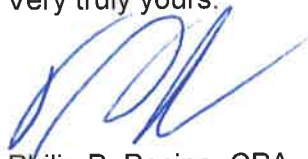
The Committee further is concerned that schedules maintained by the accountant such as depreciation schedules maintained in tax software programs could impair independence as interpreted by this proposal.

The Committee feels that as presently worded the proposal would preclude write-up work for any client unless it is on a 3<sup>rd</sup> party system. This would result in greater cost to small and medium sized client.

Finally if the proposal is adopted the Committee believes it would prevent small sized members from properly servicing their clients' needs because it could result in situations that would prevent them from issuing reviewed and audited statement.

Thank you for allowing us to comment on this proposal.

Very truly yours,



Philip B. Pacino, CPA, Chairman  
Accounting Principles and  
Auditing Procedures Committee  
Massachusetts Society of Certified Public Accountants

No. Management determined and approved the appropriate account classifications, approved the invoices for payment, and reviewed and signed the prepared checks. [Added Prior To June 2005]

3. During the course of providing monthly bookkeeping services, the member discusses with client management the need to record recurring journal entries (for example, depreciation expense) each month in the general ledger. The attest client approves the recurring journal entries and makes any necessary decisions (for example, useful lives of the assets). The member then records these entries in the attest client's general ledger each month. Would independence be impaired?

No. The attest client understands the general nature of the journal entries and the impact they have on its financial statements. [Added Prior To June 2005]

4. An attest client records all disbursements in its checkbook and identifies the type of expense (for example, telephone, rent, and so on) on the checkbook stubs. During the course of providing monthly bookkeeping services, the member assigns the general ledger account number based on the type of expense indicated by the attest client and records these payments in the attest client's accounting system. Would independence be impaired?

No. The member would not be considered coding transactions. [Added Prior To June 2005]

5. During the course of performing an attest engagement, the member proposes adjustments to the financial statements to client management. For example the member might propose adjusting entries to correct the client's tax provision, deferred tax account or depreciation and amortization account. Client management reviews the proposed entries and related supporting documentation, understands the impact on its financial statements, and records the adjustments identified by the member. Would the proposal of such entries constitute a nonattest bookkeeping service subject to the interpretations of the Nonattest Services subtopic?

No. According to paragraph .04 of the Scope and Applicability of Nonattest Services interpretation proposing entries as a result of the member's attest engagement is a normal part of those engagements and would not constitute performing a nonattest bookkeeping service subject to the interpretations of the Nonattest Services subtopic. [Added Prior To June 2005]

6. A member is engaged to perform an audit for a client that records all transactions on a cash basis in its general ledger. During the audit process, the member identifies all appropriate journal entries required to convert the audit client's general ledger to an accrual basis and prepares the financial statements, including footnotes, on the accrual basis in order to conform to U.S. generally accepted accounting principles (GAAP). The audit client reviews the entries and financial statements, including all footnote disclosures, and understands the impact these entries have on the financial statements. As part of the management representation letter, the audit client acknowledges