

July 6, 2016

Lisa A. Snyder
Director of the Professional Ethics Division
AICPA
1211 Avenue of the Americas
New York, NY 10036

By email: lsnyder@aicpa.org

Re: Exposure Draft—*Hosting Services* (Proposed Interpretation)

Dear Ms. Snyder:

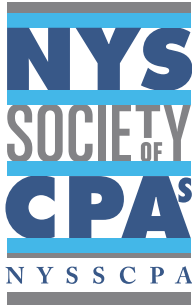
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Professional Ethics Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Renee Rampulla, Chair of the Professional Ethics Committee, at (212) 719-8361, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

F. Michael Zovistoski
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON
EXPOSURE DRAFT—*HOSTING SERVICES* (PROPOSED INTERPRETATION)**

July 6, 2016

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New York State Society of Certified Public Accountants
Comments on
Exposure Draft—*Hosting Services* (Proposed Interpretation)

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to provide comments on the American Institute of Certified Public Accountants' (AICPA) Professional Ethics Executive Committee's (PEEC) Proposed Interpretation regarding hosting services. Our comments on the Proposed Interpretation follow.

The NYSSCPA agrees with the position taken by the PEEC that the provision of hosting services, as defined in the Proposed Interpretation, to an attest client represents an independence threat that cannot be reduced to an acceptable level through the application of safeguards. We are, however, concerned that members might confuse “hosting services” with solely providing a client with cloud services. Accordingly, we suggest that the PEEC consider amending the name of the Proposed Interpretation to something along the lines of, “Maintaining Custody and Control over Client Data and Records.”

We are concerned that the terms “production environment” in paragraph 02.b. and “exchanging data” in paragraph 03.c. will not be widely understood by members. Perhaps the PEEC might consider clarifying the meaning of these phrases as they relate to the Proposed Interpretation. In addition, we suggest changing the effective date of the Proposed Interpretation to six months from the last day of the month in which it is published in the *Journal of Accountancy*.

We believe this Proposed Interpretation will affect a variety of firms, especially small and medium-sized firms, and suggest that the PEEC consider issuing a related question-and-answer white paper upon issuance of the final interpretation. We suggest that the white paper address various “real-world” examples in order to help members navigate this important issue. The following presents some situations the PEEC might consider addressing:

- Understanding the implications to the firm’s independence after the effective date of the interpretation, when a member’s firm has previously been providing data entry services and maintaining the client’s general ledger on their servers before the interpretation’s effective date
- Addressing the impact to a firm’s independence when it maintains its attest client’s books using the income tax basis of accounting, and maintains the client’s depreciation schedule on its server using the firm’s tax software to compute depreciation expense

- Describing the independence implications, if any, when a member's firm establishes an affiliated entity to provide hosting services, as defined in the Proposed Interpretation, to the firm's attest clients
- Understanding the implications to a firm's independence, if any, when a firm provides cloud services to an attest client, where the client's management has control over the data stored in the cloud
- Addressing the independence implications when a firm or member develops the software used by an attest client and then reviews the software to determine whether the client's systems were properly processing transactions.

We believe that each of the above situations results in an impairment of independence. However, we also recognize that firms may struggle with these questions and believe that the PEEC should address these issues upon final issuance of the Interpretation.

We appreciate your consideration of our comments.