



Louisiana Legislative Auditor Audit Risk Alert

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AUDIT RISK ALERT # 9

DATE: June 7, 2018 (Updated August 16, 2018)

SUBJECT: Data hosting services; new LLA legal white papers

This audit risk alert addresses the following subjects –

- ET Section 1.295.143, *Hosting Services*
- New legal whitepapers – Louisiana Legislative Auditor’s (LLA’s) website.

ET SECTION 1.295.143, *HOSTING SERVICES*

A recent interpretation of the AICPA Code of Ethics ([ET Section 1.295.143, \(*Hosting Services*\)](#)) addresses the threat to a CPA firm’s independence that would be caused by providing hosting services to an attest client.

Hosting services are nonattest services in which a CPA firm accepts responsibility for the following –

- Acting as the sole host of a financial or non-financial information system of an attest client
- Taking custody of or storing an attest client’s data or records whereby, that data or records are available only to the attest client from the CPA firm, such that the attest client’s data or records are otherwise incomplete
- Providing electronic security or back-up services for an attest client’s data or records

Examples of hosting services may be found in the interpretation.

The interpretation states that when a CPA firm provides hosting services to a client, the firm is maintaining the attest client’s internal control over its data or records. This causes a management participation threat to the firm’s compliance with the “Independence Rule” ([ET Section 1.200.001](#)) that could not be reduced to an acceptable level by the application of safeguards. The firm’s independence would be impaired; and the firm would not be able to perform audit, review or other attest services for the client.

The effective date of this interpretation is September 1, 2018 (See update in box below). It is important for all CPA firms to review [Interpretation 1.295.143](#) and evaluate the nonattest services they currently provide to their attest clients; in order to determine whether these nonattest services constitute hosting services that impair the firm's independence.

Update August 16, 2018: The effective date of this interpretation has been changed from September 1, 2018 to July 1, 2019. Please see the attached Journal of Accountancy article for additional information:

https://www.journalofaccountancy.com/news/2018/aug/hosting-services-independence-effective-date-201819533.html?utm_source=mnl:cpald&utm_medium=email&utm_campaign=15Aug2018

Other illustrative information may be found in the related August 2017 Journal of Accountancy article "[How Data-Hosting Services Affect Independence.](#)"

If you have any questions about data hosting services, please contact Gayle Fransen at gfransen@lla.la.gov or (225) 339-3878.

NEW LEGAL WHITEPAPERS – LOUISIANA LEGISLATIVE AUDITOR'S (LLA'S) WEBSITE

LLA's Legal section recently issued two whitepapers –

[Coroner – Powers, Duties and Compensation](#)

Assessment Process (Property Assessment) (10/9/19 this whitepaper has been removed from LLA's website pending revision)

Please review these whitepapers and share them with your local auditee clients.

If you have any questions about these whitepapers, please call the Louisiana Legislative Auditor's Legal Services section at (225) 339-3871.