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December 14, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D. C. 20006-2803

RE: Request for Public Comment: "Concept Release on Auditor Independence and Audit Firm Rotation", PCAOB Rulemaking Docket No. 037

Dear Office of the Secretary:

Hewlett-Packard Company appreciates the opportunity to share our company's view on the PCAOB's (the "Board") "Concept Release on Auditor Independence and Audit Firm Rotation". We commend the Board's continued efforts to protect investors' and other stakeholders' interests through enforcing auditor independence. However, we believe that requiring mandatory audit firm rotation would reduce audit quality while increasing costs for both the company and its auditors.

Reduced Audit Quality

We are a large global company with product and service offerings in over 170 countries. We cater to our customers' technology needs around the globe with our extensive portfolio of products and services tailored to meet specific customer and geographic needs. Our global operations are supported through a highly complex and integrated suite of systems and processes. Gaining an understanding of our worldwide product and service offerings along with the underlying systems and processes requires a period of time and significant investment for any new auditor to establish a sufficient understanding to perform an effective audit. The wholesale change in an audit team would eliminate any institutional knowledge carried forward between audit periods and would negatively impact both the effectiveness and efficiency of the audit process. As such, during the initial start-up period, the quality of the audit could suffer and mandatory audit firm rotation would repeatedly exacerbate this phenomenon.

Given the size of our operations and the breadth of our geographic landscape, the available choice of audit firms that have the worldwide size and scale to service our company would be limited to a handful of firms. Even within this small number of firms, not all of the firms have the same level of industry knowledge and expertise potentially undermining the critical need to have a high quality audit. Mandatory firm rotation may force us to select an audit firm that is not best suited and technically skilled to conduct the highest quality audit.

Increased Costs

Bringing a new audit firm on board requires significant investment in time from both the audit firm and the company. The audit firm will need to incur additional time and resources and a portion of this start-up time and resources will be borne by the company. Company employees will also need to divert a significant amount of their time to educate the auditors and address accounting, process and system questions. This will inherently impact our ongoing operations and distract the company from its primary objective of maximizing shareholder value.



Our subsidiaries around the globe have statutory audit and reporting requirements that are performed by member audit firms associated with our primary auditor in the US. Our primary US audit firm works in conjunction with their respective foreign audit firms to audit our foreign operations for consolidated US GAAP reporting. The foreign audit firms have developed a highly integrated audit approach to leverage common audit procedures where possible when completing statutory audits required in these foreign jurisdictions. We would expect that mandatory audit firm rotation would impact the efficiency of this process and significantly increase the cost of statutory audits around the world.

Our auditors currently provide various permissible audit related and non-audit services that in most cases leverage their existing audit procedures and knowledge. As such, it is cost effective to use our auditors to provide these permissible non-audit services. Again, mandatory audit firm rotation would significantly increase permissible non-audit service costs each time we bring a new audit firm on board.

Non-Audit Services Provided by Other Audit Firms

We have various non-audit relationships with all of the other large audit firms. Some of these relationships involve the firms providing HP with consulting services while others involve HP working jointly with these firms to provide complex integrated IT solutions to our joint customers. As there is such a limited pool of audit firms meeting the independence requirements to provide audit services to HP, rotation of these firms would require termination of certain non-audit services and in the latter case disrupt our service offerings and relationships with our joint customers and impact our mutual revenue streams. Further, the new audit firm could be put in a position requiring them to make audit judgments on transactions where they provided consultancy or partnered with us to provide solutions to our joint customers, thus impacting their perceived independence.

In conclusion, we believe that any perceived benefit from mandatory audit firm rotation would be outweighed by the costs. Since the enactment of the Sarbanes-Oxley Act, the focus on controls, documentation requirements and audit practice oversight initiated by the Securities Exchange Commission and the recent rules established by the Board have and will continue to create significant improvements in auditor independence, objectivity and professional skepticism. The assignment of certain responsibilities to the Audit Committee, including independence and responsibility of oversight, are serving to monitor auditor independence, objectivity and professional skepticism. Mandatory rotation would override the Audit Committee's knowledge, perspective and statutory responsibility in overseeing the auditor. The existing five and seven year rotation requirement for the rotation of audit firm partners provides a "fresh look" without losing the full value of the institutional knowledge acquired by the audit firm's other personnel. The current rigorous inspection process undertaken by the Board serves as a very strong incentive for audit firms to maintain independence and perform high quality audits. We urge the PCAOB to consider these positive impacts and continue its existing initiatives aimed at enforcing auditor independence, objectivity and professional skepticism.

We appreciate the opportunity to respond. If you have any questions regarding our views, please feel free to contact me at Jim.Murrin@hp.com.

Sincerely,

A handwritten signature in black ink that reads 'Jim Murrin'.

Jim Murrin
Hewlett-Packard Company
Senior Vice President, Controller, and Principal Accounting Officer