

November 16, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

**Re: PCAOB Rulemaking Docket Matter No. 37
Concept Release on Auditor Independence and Audit Firm Rotation**

Dear Board Members and Staff of the PCAOB,

Informatica Corporation and its Audit Committee of the Board of Directors ("Informatica") are pleased to comment on the Public Company Accounting Oversight Board's ("PCAOB") concept release on possible mandatory audit firm rotation.

We are supportive of the Board's efforts to address the financial reporting concerns of investors and other users of financial statements. However, we strongly oppose mandatory audit firm rotation for the following reasons:

- 1. Mandatory audit firm rotation would diminish the quality and reduce the effectiveness and efficiency of an audit.** Currently, one advantage of audit firm tenure is that the auditor gains significant knowledge and understanding of a company's industry and business over time, which enhances audit quality. Mandatory audit firm rotation would reduce the effectiveness and efficiency of the audit because new auditors would face a steep learning curve and spend a significant amount of time learning about a company's business and its industry instead of focusing on high risk areas. As such, this would lead to increased audit risk in both the beginning and end of a rotation. The quality of service would also decrease as audit firms approach the end of the rotation, which would result in further inefficiencies and higher costs.

For example, for software companies, revenue recognition is complex and requires appropriate expertise, which many firms may not have. It takes time and experience to understand and determine proper application of the accounting rules on a company-specific basis.

In addition, we use the same accounting firm for both audit and certain tax services. Mandatory audit rotation would reduce the efficiency of the audit and increase the cost of tax compliance because our audit and tax teams would not be able to work as efficiently as if the two teams were from the same firm. Mandatory audit firm rotation, coupled with independence requirements, could

severely limit the choices available due to consulting projects. We may use multiple Big 4 firms to assist us with various consulting projects in areas such as tax, mergers & acquisitions and computer system implementations. For example, if one or more of the other audit firms was working on a computer system implementation project or a merger & acquisition transaction, we would not be able to terminate their work without significant disruption of our business. We could be left with only one choice, which may not be a firm with the skillset needed or adequate resources to staff the audit in the timing required. Also, not every firm in the location of the corporate headquarters may have the relevant domain expertise in the company's line of business, and therefore, would not be qualified to accept the engagement.

Further, there are no studies to date that show that there is a correlation with audit tenure and audit quality (i.e., the number of comments in PCAOB inspection reports).

- 2. Mandatory audit firm rotation would result in unnecessary increased costs and disruptions to both companies and audit firms.** New audit firms and companies would incur significant costs, in time and money, getting the new audit firm up to speed. A 2003 GAO report stated that larger firms estimated that initial year audit costs would increase by more than 20%. These costs also escalate when companies have many locations and operate in many different countries. In addition, mandatory audit firm rotation would be disruptive to a company's operations. Currently, when our auditors experience turnover of their staff, the current audit team is able to train new staff members as an effort to minimize costs and disruption to us. However, we still receive additional questions and experience interruption to our finance personnel. If we were required to have an entire new audit team every certain number of years, we would have to invest a significant amount of time and money for the transition to evaluate, select, and educate new auditors, and this would be disruptive to our key personnel and business. In particular, audit firm rotation would be extremely disruptive and challenging if the timing coincides with a significant transaction, such as an acquisition or system upgrade. Companies may need to reconsider the timing of certain transactions based on the audit rotation schedule to avoid disruptions rather than what is best for the company and investors.

In addition, current accounting standards require interpretation and judgment in its application. Each audit firm may have a different interpretation of the accounting standards, and therefore, may have a different view on the judgments made. Mandatory audit rotation would require companies to spend a significant amount of time to work through complex transactions with new auditors. The complexity will also increase with the expected FASB/IASB convergence projects in process.

Further, if rotation were required, a company's choice of a new audit firm may be limited unless it terminated existing prohibited non-audit services, which it may not be able to do in a timely matter. This would result in further additional costs and disruptions.

- 3. Mandatory audit firm rotation would obstruct the audit committee's ability to oversee the financial reporting and audit process in the interest of shareholders.** Audit committees have a significant responsibility to reinforce the independence of the auditor. An effective audit committee is aware of the audit needs of the company and the work of the audit firm, and is best positioned to evaluate whether the auditor's independence is, or appears to be, compromised. It would be more difficult for Audit committees and management, who bear significant liability for inaccurate financial statements, to select audit firms that they believe best meet shareholders' needs.

4. **The current framework to address auditor independence, objectivity, and professional skepticism are working well without creating significant costs and risks associated with changing audit firms.** The current rules, including rotation of the engagement partner in charge of the audit every five years, rotation of the second review partner, the requirement for audit teams to vary the timing, scope and nature of its audit procedures, and the PCAOB inspection of audit firms, are sufficient to bring a fresh viewpoint and promote objectivity to the audit without companies having to incur significant time, money, and risks associated with a new audit firm. In addition, all CPAs are required to follow a code of conduct to perform an audit in compliance with independence, objectivity, and professional skepticism standards.

There are approximately 6,500 U.S. public companies listed on major exchanges. If the rotation period is 10 years, then we would see almost 700 public companies changing audit firms every year. In the nine months ended September 30, 2011, only 61 public companies changed to and from a Big 4 audit firm. In addition, for the same period, only 9 companies with sales greater than \$1 billion changed audit firms. Such a significant increase will make it very challenging to obtain competitive fees and ensure a smooth transition. The challenges, costs, and complexity of the transition are even more significant for large companies.

In summary, Informatica does not believe that mandatory audit firm rotation would enhance audit independence. We believe that it would diminish the quality and reduce the effectiveness and efficiency of an audit, result in unnecessary costs and disruptions to companies, and obstruct the audit committee's ability to oversee the financial reporting process.

Thank you for the opportunity to comment on the proposal.

Kind Regards,



Earl E. Fry
Chief Financial Officer, Chief Administration Officer
and EVP, Global Customer Support



Brooke Seawell
Chairman, Audit Committee of the Board of Directors