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VIA email to: comments@pcaobus.org

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, DC 20006-2803

Reference: PCAOB Rulemaking Docket Matter No. 37

United Parcel Service, Inc. (UPS) has reviewed the Concept Release on Auditor Independence and Audit Firm Rotation issued in August 2011, and we appreciate the opportunity to comment on the proposal.

We present our views from the perspective of a financial statement preparer. We value the fundamental objective of the PCAOB to improve investor confidence and the overall quality of the audit process; however, we strongly object to a requirement for mandatory audit firm rotation. There is no empirical evidence to support the conclusion that long term audit relationships are the root cause of audit failures or that a mandatory audit firm rotation will improve audit quality. Further, there may be unintended adverse consequences to the audit process and infringement on the role of the audit committee as a result of the implementation of a mandatory audit firm rotation.

Current Evidence Does Not Support the Derived Conclusion on the Cause of Audit Failures

The concept release highlights the use of the PCAOB's inspection process in determining that there has been a lack of professional skepticism and objectivity by the audit firms. The release goes on to directly link audit tenure as a significant cause of audit failure; however, other factors have certainly been a significant cause of audit failure in the past, and will more likely be a determining reason for audit failure in the future. These factors include a lack of technical competence by the audit firm, a lack of appropriate supervisor reviews, staffing and budget pressures, and significantly shortened filing deadlines, and each could cause auditors to rely on management assertions without adequate support. These factors do not cause a reliance on management based on a build-up of trust or an effort to preserve an ongoing relationship.

Additionally, as a result of the PCAOB's inspection process, we believe there is an unfair presumption that all management personnel are biased towards misleading the auditors or that appropriate support did not exist at the time of the audit; however, had the appropriate request been made in the circumstances, management most likely would have provided the appropriate level of evidence needed to support the transaction or its judgments. We would urge the PCAOB to conduct more research to truly understand the underlying factors resulting in the cause of audit failures before any changes are imposed.

The PCAOB should continue to focus on the culture of the audit firms and the technical competence of the individuals performing the audits. If an audit team has a culture that tolerates an inappropriate lack of professional skepticism and objectivity in its audits, that negative approach will simply be carried forward to the next audit client. The natural, and often frequent, attrition of audit staff and the requirements for second/concurring partner reviews and mandatory partner rotations already provides a mechanism for a new perspective to audit engagements. Also, the audit firms' internal quality review programs and investments in training, external firm peer review

programs, and PCAOB inspections should provide the investor community with assurance that there is an independent review of the auditors by professionals that have the appropriate knowledge to assess the quality of the audit work being performed. Continual focus should be made on strengthening inspection and review programs, elevating the technical skills and ethics training of auditors, the level of secondary reviews on the audits, and enforcing stiffer penalties on firms that foster a culture of tolerance for lack of independence, objectivity and professional skepticism on audit engagements.

Potential Unintended Negative Impacts to the Audit Process

We believe that mandatory firm rotation will inevitably lead to increased costs for companies and reduced audit quality, without any clear benefits that would increase investor confidence. Companies would incur more costs as a result of increased audit fees to compensate for the recurring start-up costs of audit firms. Additionally, we will also be impacted by the disruption to company personnel and business processes as we continually retrain new audit firms on our business strategy, industry, technology, and communication processes. Further, audit firms have varying approaches to assessing management's qualitative assessments, and management will be continually adapting to the processes of audit firms. Moreover, based on the implied pressures of a mandatory firm rotation, a new audit firm might be quick to force restatements of financial statements just to avoid liability—where the end result may be financial statements that do not provide the investor with better information, but might reduce investor confidence in the company's management and the previous audit firm.

We disagree with the argument that mandatory rotation will increase the auditor's incentive for resisting pressure from management. The audit firm can still be focused on not impairing a client relationship in an effort to be considered for hire during the next rotation or for non-audit services once the audit relationship has ended. Also, with such a relatively short horizon for audit fees, the audit firm may put more pressure on its employees to "over-serve" its clients to preserve current revenue streams, which can be misconstrued by younger, less experienced staff to not challenge the judgments of management.

The quality of existing audits may also decline as more focus is placed on acquiring the next large issuer in the pipeline due to a required audit firm rotation. Excessive competition for new clients could lead to increased price competition, which may be better for the issuer, but may have the unintended impact of creating more volatility in the audit firm's profitability, which can lead to staff cuts and reduced focus on quality.

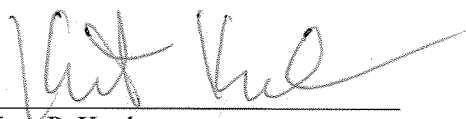
Audit firms differ in that they often have specialized subject matter and industry specific skills that are critical to the performance of a quality audit. We disagree with a presumption that audit firms will be able to quickly adapt and be motivated to attain the necessary industry expertise, if they will be guaranteed a place in the rotation of firms. As a company with a global footprint, the issue of a mandatory rotation presents significant restrictions on our flexibility as we coordinate statutory audits worldwide, the results of which are used to support the execution of our consolidated audit. In addition, there is a practical limit to the number of audit firms we can choose from as a result of the lack of international presence of most firms and independence rules that govern non-audit services, some of which are multi-year engagements.

Infringement on the Role of the Audit Committee

Any recommendation to limit or otherwise alter the power of the audit committee to engage and dismiss the auditor firm is an infringement on its fiduciary responsibility to investors and should not be pursued. The Board of Directors should have a clear due diligence procedure that provides reasonable assurance that they are able to select an audit firm that meets the shareholders' requirements. If there are concerns that this process needs to be reaffirmed or strengthened, efforts should be made to assist audit committees in assessing the quality of the audits being performed. The audit committee is also in the best position to police and enforce open and honest communications from management. Also, the PCAOB could revise its inspection approach to further assess the level of professionalism, objectivity and independence being employed and present such findings for evaluation to the audit committee.

In conclusion, we value the role of the auditors and the PCOAB in the review of the quality of information we provide to the investing public. We continually strive to provide our investors with timely and transparent disclosure of our operating results and will continue to adhere to rules as prescribed by the FASB and SEC. We respectfully request that the PCAOB not pursue mandatory audit firm rotation. We appreciate the opportunity to comment on this concept release and thank you for consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt Kuehn", written over a horizontal line.

Kurt P. Kuehn
Chief Financial Officer