THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS OF
QUALCOMM INCORPORATED
5775 Morehouse Drive
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December 13, 2011

VIA ELECTRONIC CORRESPONDENCE

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

Re: Concept Release on Auditor Independence and Audit Firm Rotation
PCAOB Release No. 2011-006
PCAOB Rulemaking Docket Matter No. 37

The Audit Committee (the "Committee") of the Board of Directors of QUALCOMM Incorporated ("QUALCOMM") appreciates the opportunity to comment on the above-referenced release (the "Release") of the Public Company Accounting Oversight Board (the "PCAOB"). While the Committee strongly supports the ideals of auditor independence, objectivity and professional skepticism that motivated the PCAOB to issue the Release, the Committee firmly believes that mandatory audit firm rotation would create such significant costs and disruption, particularly to large international businesses, that it should not be pursued.

The Committee's views are shaped by an aggregate of over 100 years of business, financial and accounting experience of its members. This experience includes service as directors, audit committee members, chief executive officers, and chief financial officers of public companies, as well as service with financial advisors and independent registered public accounting firms working with such public companies. We understand that QUALCOMM will be providing comments on the Release, but because of our different perspective, and in recognition of the fact that several questions in the Release are directed to audit committees, we are providing our response to several of the issues raised in the Release. We hope the PCAOB will find this perspective useful.

I. Companies with Properly Functioning Audit Committees and Internal Audit Functions Do Not Need Mandatory Audit Firm Rotation.

In the experience of the members of the Committee, many public companies currently have robust policies and procedures in place to ensure audit quality. To use QUALCOMM as an example, all of the members of the Committee are independent directors within the meaning of applicable rules of the NASDAQ Stock Market and the U.S. Securities and Exchange Commission (the "SEC"). In addition, QUALCOMM's Board of Directors has determined that each member of the Committee is an "audit committee financial expert" as defined in the rules of the SEC. The Committee meets at least quarterly with QUALCOMM's independent registered public accounting firm to review the results of the annual audit and quarterly reviews, to discuss QUALCOMM's financial statements, and to review the results of internal control examinations. This involves consideration of significant issues arising during audits or reviews, adjustments or potential adjustments, SEC filings containing financial information, critical accounting policies and significant judgments of management. The Committee selects and engages QUALCOMM's independent registered public accounting firm, considering factors such as the provision of audit and non-audit services and any related fees, audit partner rotation, independence, and the auditor's qualifications and performance. The Committee believes it holds management to a high level of quality and accountability with respect to such areas as the adequacy of staffing, management performance and processes in connection with QUALCOMM's assessment of its internal controls over financial reporting. The Committee also reviews the plans of QUALCOMM's internal audit department and results of internal audit examinations, considers comments as to internal controls and ethics matters, and plays an important role in financial risk oversight. As an indicator of its long standing focus on internal controls and quality financial reporting QUALCOMM was one of the first, if not the first, issuers to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, which was completed one year earlier than its compliance deadline. The Committee meets at least six times during the year, and more frequently if needed. The Committee meets with the representatives of the audit firm at least quarterly and individual committee members (especially the chair) are in much more frequent contact with representatives of the audit firm.

The Committee submits that such policies and procedures at public companies with properly functioning audit committees and internal audit functions culminate in financial statements that benefit from the independent perspective that motivated the Release. While there may be ways to incrementally improve such policies and procedures at specific companies, including encouraging "problem" companies or audit firms to take those policies and procedures more seriously, forcing all companies (including responsible companies) to rotate audit firms seems like an extreme solution. In essence, the mandatory rotation would impose a "solution" on companies where the perceived problems do not exist.

In addition, independent audit committees of listed issuers are already directly responsible for appointment and retention decisions as to, and oversight of, independent registered public accounting firms. If, in discharging these responsibilities in accordance with applicable fiduciary duties, an independent audit committee determines that the company's current audit firm is performing well and that it is in the best interest of the company and its stockholders to retain that audit firm, it is hard to understand why a PCAOB rule should require the appointment of a different audit firm. As such, we do not believe that mandatory audit firm rotation is necessary.

II. There are Significant Costs Associated with Mandatory Audit Firm Rotation That Appear to Outweigh the Benefits.

As the Release notes, mandatory audit firm rotation will impose costs on issuers associated with changing audit firms. While these costs are often described as relating to the successor firm coming up the learning curve in the first year or two of a new engagement, these costs are more aptly described as costs imposed on companies and audit firms to maintain a level of audit quality that is useful to investors. In other words, a fundamental purpose of audit committees will become significantly more expensive.

At QUALCOMM, we have overseen the process of two cycles of partner rotation. In each instance, we and our auditors devoted significant resources to those rotations, including facilitating the transitions to partners with the requisite industry knowledge and experience in managing complex, multi-national engagements. From the Committee's viewpoint, these partner rotations bring new independent perspectives to the audit with an appropriate level of professional skepticism. Rotating audit firms would be substantially more time consuming and expensive.

There would appear to be numerous risks to audit quality posed by mandatory audit firm rotation. A new audit firm without institutional knowledge would seem to bring heightened risks of audit failure, failure to detect fraud, and over-auditing established positions or approaches that are unusual to the new auditor but ultimately acceptable. The Committee believes that audit committee responsibilities will meaningfully increase in order to address these new risks created by mandatory audit firm rotation, including a consideration of issues such as:

- Whether adequate additional internal staff have been deployed to familiarize the new audit firm with the records necessary to understand the business and perform a quality audit;
- Designing an audit scope and plan tailored to a completely new audit firm and team;
- The efficient execution of audit plans and quarterly reviews;
- Building relationships of trust and candor among new audit partners, management, and the audit committee; and
- Responsibly engaging audit and non-audit services with a view toward independence issues and the engagement of the next independent audit firm.

In the context of large international companies, the final point cannot be understated, as it creates logistical problems not discussed in the Release. For example, QUALCOMM will from time to time engage an accounting firm to supplement its internal audit function or to assist with Sarbanes-Oxley testing of internal controls, especially when internal QUALCOMM resources are focused on other projects or do not have the required expertise or language skills. In many instances only the larger audit firms can credibly provide those requested services in various foreign locations. By providing those services, these firms would no longer be considered independent. As a result, QUALCOMM already has a significant shadow that impacts its ability to retain independent auditors. This problem is magnified by the fact that the pool of acceptable audit firms in many jurisdictions is already low, as many large audit firms do not provide services in each such jurisdiction. The Committee believes that mandatory audit rotation will exacerbate this already difficult problem and in some cases result in the inability of large international companies to retain top tier audit and accounting firms for services.

The Committee particularly notes that the PCAOB inquires in the Release whether mandatory audit firm rotation should only apply to a subset of issuers, such as large issuers. Perhaps this is driven by the PCAOB's belief that, during a trial run with mandatory audit firm rotation, large companies can afford to pay the associated increased costs. However, large issuers would face disproportionately higher costs from mandatory audit firm rotation when compared to smaller issuers, which have a greater supply of acceptable audit firms to compete by price, smaller conflict shadows, less voluminous accounting records, and other circumstances that help to contain audit costs. In addition, the Committee believes that smaller companies may also have higher risk profiles from an audit perspective: less robust internal audit functions, fewer accounting and auditing resources, less audit committee oversight, and fewer other processes and procedures designed to ensure quality audits and reviews. Accordingly, the PCAOB's potential initial application essentially seems to be a question of whether it should pursue the most expensive approach possible, paid for by lowest-risk parties, when the approach is likely to result in the smallest benefit to audit quality. The Committee believes the clear answer is no.

Conclusion

Each of the Committee members believes that the Committee has the willingness and ability to change audit firms if that were in the best interest of QUALCOMM and its stockholders, especially if it appeared that auditor independence, objectivity or professional skepticism or any other aspect of performance was impaired. Given that approach, we do not believe that requiring audit firm rotation produces any benefit that compares with the substantial costs involved.

While the Committee appreciates the willingness of PCAOB to tackle complicated issues, the Committee believes that the PCAOB should carefully evaluate the costs and benefits associated with all reasonable ways to address the problems the PCAOB intends to solve. In doing so, the Committee believes the PCAOB will realize that mandatory audit firm rotation is unlikely to offer benefits to audit quality and will impose significant costs and disruptions to all companies, particularly for large companies with international operations.

Should you have any questions regarding this letter, please do not hesitate to contact us.

Respectfully submitted,

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