THE HERTZ CORPORATION
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Public Company Accounting Oversight Board
Attention: Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

PCAOB Rulemaking Docket Matter No. 34

Board:

The Hertz Corporation (Hertz), a subsidiary of Hertz Global Holdings, Inc. (NYSE: HTZ), operates the largest airport general use car rental brand, from approximately 8,000 locations in approximately 150 countries worldwide. Our Hertz brand name is one of the most recognized in the world, signifying leadership in quality rental services and products. Hertz operates both corporate and licensee locations in cities and airports in North America, Europe, Latin America, Australia, Asia and New Zealand. In addition, we have licensee locations in cities and airports in Africa and the Middle East. We and our predecessors have been in the car rental business since 1918 and in the equipment rental business since 1965. Product and service initiatives such as Hertz #1 Club Gold®, NeverLost® customized, onboard navigation systems, SIRIUS Satellite Radio, and unique cars and SUVs offered through the company's Adrenaline and Green Traveler Collections, set Hertz apart from the competition. In 2008, the Company entered the global car sharing market in London, New York City and Paris. Hertz also operates one of the world's largest equipment rental businesses, Hertz Equipment Rental Corporation, offering a diverse line of equipment, including tools and supplies, as well as new and used equipment for sale, to customers ranging from major industrial companies to local contractors and consumers from approximately 320 branches in the United States, Canada, China, France, Spain, Italy and Saudi Arabia.

We support the Board's efforts to develop high-quality standards that improve the transparency, usefulness and credibility of financial reporting. We appreciate the opportunity to comment on the Public Company Accounting Oversight Boards\'s (Board or PCAOB) "Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards" and respectfully submit the following thoughts/concerns regarding the Concept Release:

<u>Questions</u>

1. **Many have suggested that the auditor's report, and in some cases, the auditor's role, should be expanded so that it is more relevant and useful to investors and other users of financial statements.**
   a. **Should the Board undertake a standard-setting initiative to consider improvements to the auditor's reporting model? Why or why not?**
   b. **In what ways, if any, could the standard auditor's report or other auditor reporting be improved to provide more relevant and useful information to investors and other users of financial statements?**
   c. **Should the Board consider expanding the auditor's role to provide assurance on matters in addition to the financial statements? If so, in what other areas of financial reporting should auditors provide assurance? If not, why not?**

Your release states that a "majority of survey respondents noted that the independent auditor's report needed to provide more specific information about how the auditor reaches his or her opinion on whether the company has fairly presented its financial statements in accordance with the required financial reporting standards". We think that, rather than undertake wholesale changes to the auditor's report, increased investor education efforts with respect to that group of respondents on what an audit entails would address these concerns. Your outreach group was said to be comprised of preparers, auditors, audit committee members, regulators and standard-setters, and representatives of academia. The investors group included money managers, asset management funds, pension funds, wealth management funds, and organizations that represented institutional investors. If readers of financial statements had a better understanding of the amount of work auditors must perform before they can issue their current audit opinion (planning, discussions with management, understanding of controls and the company's operating environment, compliance testing of those controls, substantive testing of transactions and account balances) they may realize that a change to the auditor's reporting is not necessary. Perhaps the AICPA, or the Board itself, should consider releasing some educational information, or conduct seminars, to explain what investors need to know about the conduct of an audit. This may relieve some of the perceived need for changes to the auditor's report.

As far as expanding the auditor's role, we believe that a comprehensive cost/ benefit analysis should be considered prior to pursuing.

2. **The standard auditor's report on the financial statements contains an opinion about whether the financial statements present fairly, in all material respects, the financial condition, results of operations, and cash flows in conformity with the**

applicable financial reporting framework. This type of approach to the opinion is sometimes referred to as a "pass/fail model."

a. **Should the auditor's report retain the pass/fail model? If so, why?**
b. **If not, why not, and what changes are needed?**
c. **If the pass/fail model were retained, are there changes to the report or supplemental reporting that would be beneficial? If so, describe such changes or supplemental reporting.**

We believe that the pass/fail model should be retained. Either a company is presenting its financial statements fairly or they are not, which is currently the objective of the audit firm and its procedures to assess. It is the auditor's ultimate responsibility to obtain sufficient appropriate audit evidence to support the audit opinion. There is no such thing as "almost fairly", or fairly with an explanatory paragraph. Either the audit firm satisfies itself or it does not. We feel that any modification of this principle weakens the audit report.

3. **Some preparers and audit committee members have indicated that additional information about the company's financial statements should be provided by them, not the auditor. Who is most appropriate (e.g., management, the audit committee, or the auditor) to provide additional information regarding the company's financial statements to financial statement users? Provide an explanation as to why.**

Any, and all, information about a company's financial statements should be provided by the company. Auditors should not be placed in the position of preparing such information. They have been entrusted with the responsibility of opining on the financial statements. If they were now directed to prepare/ provide initial information, who would check *their* work? The Securities and Exchange Commission (SEC) has set the standards for the information that they expect public companies to report. If any additional information is required, the SEC has full authority to mandate companies to provide it. We see no reason for audit firms to assume preparer's roles.

4. **Some changes to the standard auditor's report could result in the need for amendments to the report on internal control over financial reporting, as required by Auditing Standard No. 5. If amendments were made to the auditor's report on internal control over financial reporting, what should they be, and why are they necessary?**

We do not believe any changes are necessary.

5. **Should the Board consider an AD&A as an alternative for providing additional information in the auditor's report?**
   a. **If you support an AD&A as an alternative, provide an explanation as to why.**
   b. **Do you think an AD&A should comment on the audit, the company's financial statements or both? Provide an explanation as to why. Should the AD&A comment about any other information?**
   c. **Which types of information in an AD&A would be most relevant and useful in making investment decisions? How would such information be used?**

d. **If you do not support an AD&A as an alternative, explain why.**

e. **Are there alternatives other than an AD&A where the auditor could comment on the audit, the company's financial statements, or both?**

   What are they?

We do not support the idea of auditors providing additional information pertaining to a company's financial statements. The Hertz Global Holdings 2010 financial statements required 56 pages in our Form 10-K, and included all of the information the company (in consultation with its auditors) believed to be necessary to disclose in response to Regulation S-X. If investors do not believe this information is sufficient for them to make informed investment decisions, investors should request the SEC consider modifications to Regulation S-X.

Auditors should not be deciding what information an investor needs to make a decision. Their responsibility is to judge whether the financial statements are presented fairly in accordance with U.S. generally accepted accounting principles.

You suggest that an AD&A could give "the auditor greater leverage to effect change and enhance management disclosure in the financial statements". What greater leverage do they need than the ability to give a qualified opinion? If the auditor encountered difficult or contentious issues with management, they can take the matter to the Audit Committee to satisfy themselves. If they were satisfied, no further information is necessary.

We also have concerns about whether readers would have the appropriate context for the information. Auditor communications are typically prepared with the expectation of a dialogue with the Audit Committee/ management in which additional context and perspectives would be communicated. Readers would not be privy to that dialogue.

6. **What types of information should an AD&A include about the audit? What is the appropriate content and level of detail regarding these matters presented in an AD&A (i.e., audit risk, audit procedures and results, and auditor independence)?**

There should not be any.

Any information of this sort (audit risk, audit procedures, independence) will become boilerplate after a handful of audit cycles. Management already discloses Critical Accounting Policies and Estimates in their Form 10-K. An educated investor can surmise that these are the audit areas of most concern. The current opinion language already provides a high level explanation of what an audit entails. It is unlikely that any reader would spend much time perusing a detailed listing of audit procedures. An audit firm must assess that they are independent before accepting an audit engagement. We think it unlikely that any investor would gain comfort by having independence stated in a report.

7. **What types of information should an AD&A include about the auditor's views on the company's financial statements based on the audit? What is the appropriate content and level of detail regarding these matters presented in an AD&A (i.e.,**

management's judgments and estimates, accounting policies and practices, and difficult or contentious issues, including "close calls")?

If the auditor has already opined that the financial statements are presented fairly, then why should any comment about management's judgment and estimates (already disclosed in the filing) be required in an AD&A? This would be superfluous information that serves no purpose other than undermining the audit report. All "close calls" should have been satisfied prior to the auditor issuing their report. Presumably, the audit team shared their views with the Audit Committee, and the Audit Committee has gotten comfortable to approve the filing. We assume investors are not suggesting that Audit Committees are not fulfilling their responsibility.

8. Should a standard format be required for an AD&A? Why or why not?

As noted above, an AD&A is not necessary.

9. Some investors suggested that, in addition to audit risk, an AD&A should include a discussion of other risks, such as business risks, strategic risks, or operational risks. Discussion of risks other than audit risk would require an expansion of the auditor's current responsibilities. What are the potential benefits and shortcomings of including such risks in an AD&A?

In 2010, management at Hertz devoted 12 pages of our Form 10-K to a discussion of the material risk factors impacting the company's business. Among others, the risks identified and described in detail, included the following:

- Competition
- seasonality of business
- tax liabilities due to downsizing of fleet
- declines in the value of fleet
- failure of manufacturers to fulfill obligations
- implementation of strategy to further reduce operating expenses
- impairment of goodwill
- increases in fuel prices
- safety recalls
- reliance on communications networks and centralized technology systems
- maintenance of favorable brand recognition
- loss of the services of senior management team members
- insurance, and
- environmental

As you can see, our discussion is very wide-ranging. Our audit team reads our entire Form 10-K and comments on non-financial disclosures when they believe it is appropriate to do so. In addition, our audit team provides "comfort" on what we present. We engage in dialogue with them as to additional items they feel should be included. We do not feel that any value would be added by having them undertake a separate discussion.

10. How can boilerplate language be avoided in an AD&A while providing consistency among such reports?

It likely would not be avoided, which is a major reason why we believe an AD&A would be of limited value.

11. What are the potential benefits and shortcomings of implementing an AD&A?

See our earlier comments.

12. What are your views regarding the potential for an AD&A to present inconsistent or competing information between the auditor and management? What effect will this have on management's financial statement presentation?

In our view, this would be confusing to investors. Inconsistent or competing information where potentially neither is incorrect does not serve investors. The inevitable result would be the creation of a morass possible pitting auditors against their clients and shareholders.

13. Would the types of matters described in the illustrative emphasis paragraphs be relevant and useful in making investment decisions? If so, how would they be used?

While the types of matters described could be relevant and useful, it appears to us that investors are looking for a shortcut in reading the information presented. If the amount of information presented is too overwhelming, investors should solicit the SEC to reduce reporting requirements or request that management emphasize certain of the information that is already presented.

14. Should the Board consider a requirement to include areas of emphasis in each audit report, together with related key audit procedures?

a. **If you support required and expanded emphasis paragraphs as an alternative, provide an explanation as to why.**
b. **If you do not support required and expanded emphasis paragraphs as an alternative, provide an explanation as to why.**

We do not support the idea of an emphasis paragraph. This would place the burden on auditors for guessing the areas of emphasis for a broad spectrum of investors. Management is already tasked with drafting its reports with an emphasis on the most important information, therefore we believe an investor should be able to read the entire document and make their own evaluation of what is important to him / her.

15. What specific information should required and expanded emphasis paragraphs include regarding the audit or the company's financial statements? What other matters should be required to be included in emphasis paragraphs?

None.

16. **What is the appropriate content and level of detail regarding the matters presented in required emphasis paragraphs?**

None.

17. **How can boilerplate language be avoided in required emphasis paragraphs while providing consistency among such audit reports?**

If implemented, the accounting firms will develop language which strives to limit legal exposure. We believe this will inevitably lead to boilerplate.

18. **What are the potential benefits and shortcomings of implementing required and expanded emphasis paragraphs?**

We see no benefits and, as discussed above, substantial shortcomings, including increased legal risks, time and expense.

19. **Should the Board consider auditor assurance on other information outside the financial statements as an alternative for enhancing the auditor's reporting model?**
    a. **If you support auditor assurance on other information outside the financial statements as an alternative, provide an explanation as to why.**
    b. **On what information should the auditor provide assurance (e.g., MD&A, earnings releases, non-GAAP information, or other matters)? Provide an explanation as to why.**
    c. **What level of assurance would be most appropriate for the auditor to provide on information outside the financial statements?**
    d. **If the auditor were to provide assurance on a portion or portions of the MD&A, what portion or portions would be most appropriate and why?**
    e. **Would auditor reporting on a portion or portions of the MD&A affect the nature of MD&A disclosures? If so, how?**
    f. **Are the requirements in the Board's attestation standard, AT sec. 701, sufficient to provide the appropriate level of auditor assurance on other information outside the financial statements? If not, what other requirements should be considered?**
    g. **If you do not support auditor assurance on other information outside the financial statements, provide an explanation as to why.**

In our collective experience, auditors do read earnings releases before they are issued. Often, these releases are prior to the completion of the audit. If an auditor were required to implement procedures in order to provide assurance on earnings releases we believe this practice would make the rendering of an opinion or review on traditional SEC filings extraordinarily difficult, or require the issuance of rules delaying them.

As stated, the SEC maintains reporting requirements for MD&A. Throughout the year and through mechanisms such as comment letters, speeches, "Dear CFO letters" and releases, they advise on areas of emphasis they will be focusing on. We would not be opposed to a limited statement in the annual report where auditors include a statement regarding whether or not the information contained in a company's MD&A is not inconsistent with the financial statements.

We do not see value in auditors reporting on non-GAAP information. It is called non-GAAP for a reason. Although the SEC has rules regarding the presentation of non-GAAP information, there are currently no standards governing the composition of this info.

20. What are the potential benefits and shortcomings of implementing auditor assurance on other information outside the financial statements?

If we need auditors to give assurance on information outside the financial statements the implication is that the SEC model is flawed, which we do not believe is the case. The financial statements should include all information that is required to present fairly in accordance with GAAP. The SEC requires all other information not required by GAAP to make the information disclosed not misleading pursuant to Rule 12b-20.

21. The concept release presents suggestions on how to clarify the auditor's report in the following areas:

- **Reasonable assurance**
- **Auditor's responsibility for fraud**
- **Auditor's responsibility for financial statement disclosures**
- **Management's responsibility for the preparation of the financial statements**
- **Auditor's responsibility for information outside the financial statements**
- **Auditor independence**
  - **a. Do you believe some or all of these clarifications are appropriate? If so, explain which of these clarifications is appropriate? How should the auditor's report be clarified?**
  - **b. Would these potential clarifications serve to enhance the auditor's report and help readers understand the auditor's report and the auditor's responsibilities? Provide an explanation as to why or why not.**
  - **c. What other clarifications or improvements to the auditor's reporting model can be made to better communicate the nature of an audit and the auditor's responsibilities?**
  - **d. What are the implications to the scope of the audit, or the auditor's responsibilities, resulting from the foregoing clarifications?**

None of these clarifications is needed. It would merely be more boilerplate stating the existing auditing standards. The complete set of standards is available as a matter of public record, for anyone who is interested. None of these clarifications would have any impact on the work that an auditor performs. It is solely modification of the report.

22. What are the potential benefits and shortcomings of providing clarifications of the language in the standard auditor's report?

We see no benefit.

Questions Related to all Alternatives

23. This concept release presents several alternatives intended to improve auditor communication to the users of financial statements through the auditor's reporting model. Which alternative is most appropriate and why?

As stated in our reply to question 19, auditor assurance on MD&A, primarily Critical Accounting Policies and Estimates, seems to make the most sense. We believe the information included there is useful to investors and would understand if the Board proposed standards for auditors to give assurance with respect to that disclosure.

24. Would a combination of the alternatives, or certain elements of the alternatives, be more effective in improving auditor communication than any one of the alternatives alone? What are those combinations of alternatives or elements?

We do not believe the Board needs to take further action in this area.

25. What alternatives not mentioned in this concept release should the Board consider?

We do not believe the Board needs to take further action in this area.

26. Each of the alternatives presented might require the development of an auditor reporting framework and criteria. What recommendations should the Board consider in developing such auditor reporting framework and related criteria for each of the alternatives?

No comment.

27. Would financial statement users perceive any of these alternatives as providing a qualified or piecemeal opinion? If so, what steps could the Board take to mitigate the risk of this perception?

If any of these alternatives were to proceed further, the auditor's report must be integrated into one comprehensive form. The consequence of not taking this step would lead to piecemeal opinions in our view.

28. Do any of the alternatives better convey to the users of the financial statements the auditor's role in the performance of an audit? Why or why not? Are there other recommendations that could better convey this role?

As stated earlier, we believe the Board, along with the AICPA, should embark on an education campaign for users of financial statements to convey to the users of the financial statements the auditor's role in the performance of an audit.

29. What effect would the various alternatives have on audit quality? What is the basis for your view?

Based on our experiences, none of these suggested report changes would result in meaningful changes to the conduct of an audit. We do believe that it will result in higher billable hours for the accounting firms, but not provide any greater assurance. It is mainly a matter of report structure.

Assuming filing deadlines are not extended, auditors would have an additional workload during a compressed time period and as a result registrants would be pressured to provide information and proposed disclosure at an earlier date. This will place pressure on the controls in place and increase the risk of mistakes. Alternatively, the SEC could extend filing deadlines, but with investors expecting access to information more quickly, we would not advocate extending the filing deadlines.

30. Should changes to the auditor's reporting model considered by the Board apply equally to all audit reports filed with the SEC, including those filed in connection with the financial statements of public companies, investment companies, investment advisers, brokers and dealers, and others? What would be the effects of applying the alternatives discussed in the concept release to the audit reports for such entities? If audit reports related to certain entities should be excluded from one or more of the alternatives, please explain the basis for such an exclusion.

We see no reason for exceptions.

31. This concept release describes certain considerations related to changing the auditor's report, such as effects on audit effort, effects on the auditor's relationships, effects on audit committee governance, liability considerations, and confidentiality.

a. Are any of these considerations more important than others? If so, which ones and why?

b. If changes to the auditor's reporting model increased cost, do you believe the benefits of such changes justify the potential cost? Why or why not?

c. Are there any other considerations related to changing the auditor's report that this concept release has not addressed? If so, what are these considerations?

d. What requirements and other measures could the PCAOB or others put into place to address the potential effects of these considerations?

As previously stated, we believe that the proposals suggested here would lead to higher audit fees without any visible benefits to investors. We also believe that some of the proposed changes would lead to the potential for increased legal exposure for the accounting profession. In the end, many of the proposed structural changes to the auditor's report would become additional boilerplate.

32. The concept release discusses the potential effects that providing additional information in the auditor's report could have on relationships among the auditor, management, and the audit committee. If the auditor were to include in the auditor's report information regarding the company's financial statements, what potential effects could that have on the interaction among the auditor, management, and the audit committee?

This would have to be judged on a company by company basis. We have open dialogue with our auditors and do not envision any change. Another company, with a more contentious relationship with their auditor, may encounter heated discussions or disagreements.

We appreciate the opportunity to comment on the Concept Release.

Respectfully,

Elyse Douglas

Elyse Douglas
Executive Vice President and Chief Financial Officer
The Hertz Corporation