March 31, 2005

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: File # 4-497: Experiences with implementing and evaluating Section 404 of the Sarbanes-Oxley requirements

Dear Mr. Katz:

palmOne, Inc. ("palmOne") is pleased to submit this letter to the Securities and Exchanges Commission ('SEC") in response to the request for feedback on the implementation of the Sarbanes-Oxley Act Internal Control provisions.

We appreciate the critical contribution the Sarbanes-Oxley Act (the "Act") has made in restoring confidence in our financial markets following the egregious corporate scandals and failures of the past 5 years. The provisions of the Act have reaffirmed the stewardship responsibilities of corporations and, in particular, of their senior executives.

Section 404 of the Act has established the requirement that corporate management report annually upon their internal control over financial reporting and that the auditors of corporations attest to the report of management. We accept and agree that this requirement represents an important acknowledgement of management's responsibilities related to proper financial reporting. However, we believe that some elements of the implementation of Section 404 have been misguided which have resulted, in our opinion, in unanticipated ballooning of costs of compliance.

We commend the SEC for providing this opportunity for feedback on the implementation of Section 404. We encourage the SEC to continue to provide regular forums for such feedback in the coming year in the belief that, over time, the implementation of Section 404 may become more efficient and effective.

The intent of this letter is not to provide comprehensive feedback upon our experiences and observations, but rather to focus on two key points.

1. Registered public accounting firms' "Opinion on Internal Control"

   Section 404 of the Act requires that management make an annual internal control report and that the registered public accounting firm attest to, and report on, the assessment made by management. An additional requirement has been created that the registered public accounting firm also render it own "Opinion on Internal Control." This additional report is an extension of the requirements of the Act. The effort by the registered public accounting firm to issue this additional report substantially adds to the cost of compliance with Section 404.

   Management, in assessing its internal controls over financial reporting, has the perspective and information to evaluate the cost of controls in relation to the benefits derived in reducing the risk of improper financial reporting. Further, management has the obligation to its shareholders to make this evaluation. It would be detrimental to shareholders if management established controls which required significant expense to control a risk which was unlikely to occur in a more than nominal amount.

The registered public accounting firm does not have the same perspective and information. As an independent and external firm, registered public accountings are not responsible for the successful management of the company. Indeed, any such responsibility would reduce the independence of the registered public accountants. Further, it is not in the direct interests of the registered public accountants to evaluate the relative costs and benefits of controls. Evaluating all controls as key controls reduces the risks of the registered public accountants and increases their revenues and profits. The result being significantly increased costs to companies and their shareholders for annual audits. Thus, the registered public accountants do not have the perspective, incentive or information to make a balanced assessment of internal controls.

We believe that the SEC and PCAOB should reconsider the requirement that the registered public accounting firm report it own “Opinion on Internal Control.”

1. Disproportionate focus on detailed controls

Based upon our experiences and upon our discussion with our peers, it appears that there is a disproportionate effort (and cost) being directed toward detail controls related to risks and amounts that are relatively minor rather than toward more informal, overall controls.

Certainly all of the controls which have been discussed, reviewed, documented, tested and audited during the implementation of Section 404 of the Act are “good” controls. That is to say that none of the controls are innately bad. However, the effort directed toward documenting and reporting on specific controls is generally not being weighted in relation to the relative benefit derived from the controls.

We believe that the greater value to proper financial reporting is derived from entity level controls. It appears that this belief is consistent with the comments of market analysts, rating agencies, etc. A relatively small proportion of the implementation effort is directed toward entity level controls. In general, it appears that less than 20%, and often less than 10%, of the implementation effort is directly to entity level controls. However, we believe the majority of significant financial reporting breakdowns over the past decade (e.g. Enron, Worldcom, etc.) stem from weaknesses in entity level controls. If one combines entity level controls and direct controls related to the financial reporting process, the coverage of financial reporting breakdowns is even greater, certainly more than 90%.

A 90%-10% rule appears to hold. That is, approximately 10% of the effort is directed to more than 90% of the risk. Conversely, 90% of the effort and cost is directed to less than 10% of the risk. Thus, the implementation of 404 compliance efforts as currently conducted is very inefficient. Concentrating the majority of effort on detail level controls which are less directly related to financial reporting risks increases the likelihood that reports on internal controls over financial reporting will not identify and report control weaknesses which may result in improper financial reporting.

A number of factors may be contributing to the disproportionate focus on detail controls.

As discussed in item 1. above, the registered public accounting firms' "Opinion on Internal Control" does not lend itself to a risk based or cost-benefit based evaluation of internal controls. Thus, the level of effort is not likely to be proportionate to the risk.

In addition, in striving for consistency and uniformity in reporting and auditing internal controls, the regulatory process is inclined to a "checklist approach." By a "checklist approach," we refer to the primary reliance upon checklists to evaluate assessments of internal controls and the related reports and audits of internal controls. Checklists are beneficial and, in general, necessary to assure that all required and appropriate factors are considered. However, checklists are not particularly effective in the evaluation of relative weighting. A checklist of 100 items tends to weight each of the items equally. It does not, by itself, focus upon the 10 most important items or 20 most important items, etc. The result may a "one size fits all" approach to assessing, auditing and reporting on internal controls.

We encourage the SEC and PCAOB to review their rules and guidance in order to encourage a more proportionate and risk-based effort for the implementation of internal controls reporting under Section 404 of the Act. In particular, we encourage guidance that a majority (at least 50%) of the effort be directed toward entity level controls and controls directly related to the financial reporting process and less than 50% of the effort be directed to detail level controls (e.g. controls over petty cash, accounts payable, etc.). Tests of detail level controls related to lower risk areas may be appropriately addressed on a rotational basis over a period 3 – 5 years.

We appreciate this opportunity to provide feedback related to the implementation of internal controls reporting under Section 404 of the Act. We would be pleased to respond to any questions regarding the contents of this letter or to discuss any other issues related to the implementation of Section 404.

Sincerely yours,

Andrew J. Brown
Chief Financial Officer
palmOne, Inc.