



Laurie D. Grabow
Executive Vice President/CFO

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By electronic delivery to:
comments@pcaobus.org

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

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

Ladies and Gentlemen:

We welcome the opportunity to comment on the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation (the "Concept Release").

The Old Point National Bank of Phoebus (the Bank) is a national banking association that was founded in 1922. As of the end of 2010, the Bank had 21 branch offices serving the Hampton Roads localities of Hampton, Newport News, Norfolk, Virginia Beach, Chesapeake, Williamsburg/James City County, York County and Isle of Wight County. The Bank offers a complete line of consumer, mortgage and business banking services, including loan, deposit and cash management services to individual and business customers.

As of December 31, 2010, the Bank had assets of \$882.4 million, loans of \$586.9 million, deposits of \$679.9 million and stockholders' equity of \$75.5 million. In addition, the Bank had a total of 303 employees, 23 of whom were part-time.

We are opposed to a mandatory audit firm rotation rule because it will reduce, not increase, the effectiveness of audits, while increasing related costs and administrative burdens. Therefore, we request that you consider the following:

Mandatory auditor rotation is designed to increase auditor independence. However, there already exist substantial regulations that ensure auditor independence, such as mandatory audit partner rotation. In addition, audit committees comprised of independent directors are involved in the selection and supervision of the outside audit firm. Also, there are limitations on the non-audit fees that audit firms may receive from the companies they audit. Many of these requirements were adopted in response to the dramatic audit failures involving Enron, WorldCom and others that contributed to an economic recession. In contrast, the most recent economic downturn has not been attributed to significant audit failures, suggesting that existing regulations are providing adequate independence.

The quality of an audit depends as much or more on the auditor's knowledge of the subject company and the company's industry as it does on the auditor's independence. Practical experience and formal studies have shown that audit quality suffers in the first few years of an audit engagement because the new auditor is not

familiar with the company. In addition, bank audits require highly specialized knowledge of a complex array of accounting principles, laws and regulations that are specific to the banking industry, which limits the number of qualified audit firms.

If mandatory audit firm rotation is required, banks will be forced to spend more time and money evaluating and selecting new audit firms. Bank employees will spend more time, and banks will incur additional audit fees, as they educate the new audit firm about their particular bank.

Furthermore, the focus of the Concept Release is misdirected. Mandatory rotations would punish banks by slowing down, and increasing the cost of, the audit process. Banks and their investors should not be punished for an auditor's failure to maintain independence and professional skepticism. Similarly, a bank should not be forced to change audit firms if it is receiving high quality audit services.

In addition, the cumulative effect of mandatory audit firm rotation, combined with the staggering burden of complying with Dodd-Frank Act regulations, will be a significant hardship on banks. This will have a disproportionately detrimental effect on smaller banks that lack the resources or manpower to interpret, and adjust their operations to comply with, the high volume of new regulations in the banking industry.

For the above reasons, we are opposed to mandatory audit firm rotation. The resulting costs and decrease in efficiency and quality will hurt investors more than it protects them. In addition, existing regulations sufficiently promote auditor independence and high quality audits. Thank you for your attention to these matters and for considering our views.

Sincerely,

Laurie D. Grabow
Executive Vice President/CFO
Compliance Officer