

CHESAPEAKE BANK

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JEFFREY M. SZYPERSKI
CHAIRMAN, PRESIDENT & CEO

December 9, 2011

[Via email - comments@pcaobus.org](mailto:comments@pcaobus.org)

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

Re: PCAOB Release # 2011-006; PCAOB Rulemaking Docket Matter # 37 –
Concept Release on Auditor Independence and Audit Firm Rotation

Ladies and Gentlemen:

On behalf of Chesapeake Bank, I am writing to comment on the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation (the "Concept Release"). We at Chesapeake are not in favor of a mandatory audit firm rotation rule because it would reduce the efficiency of audits. Additionally, it would increase audit costs and administrative burdens.

Mandatory auditor rotation is intended to increase auditor independence. Extensive regulations currently exist that safeguard auditor independence. These include mandatory audit partner rotation, requiring auditor selection and supervision by audit committees consisting of independent directors, and limitations on the non-audit fees audit firms receive from the companies they audit. The most recent economic downturn has not been attributed to significant audit failures; therefore, existing regulations are providing adequate independence and additional regulation will not significantly improve audit quality or auditor independence.

Audit quality is dependent on the auditor's knowledge of the subject company and the company's industry as much or more than it is on the auditor's independence. Experience and studies have proven that audit quality deteriorates in the first few years of an audit engagement because the new auditor is not familiar with the company. Additionally, bank audits require highly specialized knowledge of a complex array of laws, regulations and accounting principles that are specific to the banking industry, limiting the number of qualified audit firms. Many community banks are located in rural communities, which further limits the number of qualified bank auditors. Forcing banks to regularly engage new auditors from a limited number of qualified auditors would severely weaken banking's audit quality.

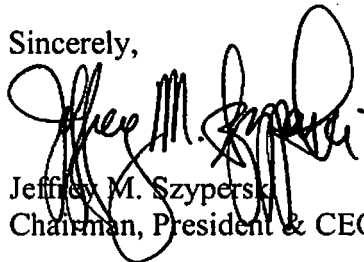
Unfortunately, a decline in audit quality would come with large increases in audit related costs and administrative burdens. Banks will be required to expend more time and money evaluating and selecting new audit firms. Bank employees will spend more time, and banks will incur additional audit fees, as they familiarize new auditors with the bank as well as the banking industry.

Additionally, the focus of the Concept Release is off course. Attention should be focused on auditors who do not satisfy their professional responsibilities. Mandatory rotations would penalize banks by slowing down, as well as increasing the cost of, the audit process. Banks and their investors should not be penalized for an auditor's failure to maintain independence and professional skepticism. Correspondingly, a bank should not be forced to change audit firms if it is receiving quality audit services. There are better approaches to uphold independence while preserving efficiency. A bank's audit committee of independent directors should maintain the freedom to determine how often to reevaluate the bank's auditors and solicit proposals from other audit firms, and in due course, determine whether or not to retain the current firm based on effectiveness and efficiency. Selecting an audit firm on this basis encourages competition and allows a bank to enhance quality while keeping costs lower.

The combined effect of mandatory audit firm rotation and the enormous burden of complying with Dodd-Frank Act regulations would be a significant hardship on banks. This would have an especially negative effect on smaller banks that don't have the manpower or resources to interpret, and modify their operations to act in accordance with, the huge volume of new regulations in the banking industry.

As outlined above, we are not in favor of mandatory audit firm rotation. The resulting costs and decreases in efficiency and quality would harm investors more than benefit them. Existing regulations adequately uphold auditor independence and audits of high quality. Thank you for your consideration of our perspectives.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey M. Szyperski". The signature is fluid and cursive, with a large loop at the end.

Jeffrey M. Szyperski
Chairman, President & CEO