

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

<b>IN THE MATTER OF:</b>	)	
<b>Grant Thornton LLP</b>	)	
<b>External Auditor For</b>	)	<b>AA-EC-04-02</b>
<b>The First National Bank of Keystone</b>	)	
<b>Keystone, West Virginia</b>	)	

**ORDER TO CEASE AND DESIST**

The Comptroller of the Currency (“Comptroller”) has issued a Final Decision in this matter finding that Grant Thornton LLP (“Grant Thornton”), is an institution-affiliated party, within the meaning of 12 U.S.C. § 1813(u)(4), and that Grant Thornton recklessly “engaged” in an unsafe or unsound practice “in conducting the business of” the First National Bank of Keystone, Keystone, West Virginia, within the meaning of 12 U.S.C. § 1818(b)(1). Therefore, in accordance with the findings and conclusions of the Final Decision in this matter, the Comptroller orders that Grant Thornton comply with the following:

**ARTICLE I**

**Acceptance of Insured Depository Institution Engagements**

- (1) Prior to agreeing to perform an audit for an insured depository institution for the first time, Grant Thornton shall document and retain:
  - (a) The reasons provided for the change in auditors, including the specific nature of disagreements, if any, between the predecessor auditor and the prospective audit client;
  - (b) A preliminary assessment of audit risks, the specific steps taken in designing the scope of the audit to address those risks as required by AU

§§ 312 and 316, and an estimate of the hours of work required to perform the audit in light of these risks; and

- (c) Its determination that the required technical expertise is available within Grant Thornton and the identity of the Grant Thornton personnel who have expertise in areas, if any, which present significant technical complexity. If such expertise is not available at the office leading the engagement, Grant Thornton shall specify persons or offices within Grant Thornton that have the necessary expertise. Grant Thornton shall decline any engagement if the required technical expertise is not available within its organization.

## **ARTICLE II**

### **Conduct of Insured Depository Institution Engagements**

(1) Grant Thornton shall require that an Audit Engagement Partner and an Impartial Reviewer, who shall concur with the Audit Engagement Partner in the audit opinion, perform the procedures described in this Article II with respect to each insured depository institution audit engagement undertaken by Grant Thornton.

(2) *Audit Engagement Partner.* The Audit Engagement Partner shall review and approve audit plan documentation before any significant audit procedures are performed. The audit plan documentation shall be completed after performing an assessment of the risks associated with the client. The risk assessment shall include an assessment of the risk that errors, fraud, and irregularities may cause the financial statements to contain a material misstatement and, based on that assessment, Grant Thornton shall design the audit to provide reasonable

assurance of detecting errors, fraud, and irregularities that are material to the financial statements in accordance with AU § 316. The risk assessment also shall include obtaining an understanding of the institution's internal control structure, including its loan underwriting policies. The audit plan shall include the plan for identifying and testing internal controls for the purpose of determining the nature, timing, and extent of the substantive tests to be performed. The Audit Engagement Partner shall be responsible for determining that the audit is conducted in accordance with GAAS and the audit plan, as appropriately modified and approved in response to information obtained during the course of the audit, and shall be satisfied that the audit is conducted with an independence in mental attitude and due professional care as required by AU § 150. The Audit Engagement Partner shall be responsible for determining that:

- (a) sufficient competent evidential matter is obtained to afford a reasonable basis for an opinion regarding the financial statements under audit, as required by AU § 150; and
- (b) the documentation referred to in Article IV of this Order has been prepared and included in the working papers.

(3) In addition, the Audit Engagement Partner shall review and approve the following:

- (a) a summary of significant matters;
- (b) important working papers, including related consultation memoranda, in technically difficult or highly judgmental areas;
- (c) documentation of external confirmation of all assets of the institution valued in excess of \$100 million dollars; and

- (d) other working papers the Audit Engagement Partner considers necessary to obtain a clear understanding of the accounting, auditing, and reporting matters discussed in the summary of significant matters.

(4) *Impartial Reviewer.* Each audit of an insured depository institution must be reviewed by an Impartial Reviewer. For insured depository institutions with assets in excess of \$250,000,000, the Impartial Reviewer shall be a partner and shall perform all the functions set forth in this paragraph (4). However, for insured depository institutions with assets not in excess of \$250,000,000, the Impartial Reviewer need not be a partner and need not perform the function set forth below in paragraph (4)(a). In reviewing each audit of an insured depository institution, the Impartial Reviewer shall:

- (a) review and concur with conclusions in the key working papers (including the audit plan documentation) relating to significant accounting, auditing, and reporting matters, as considered appropriate;
- (b) review and concur with the conclusions in the summary of significant matters after discussing with the engagement team any significant accounting, auditing, and reporting matters; and
- (c) review and concur with the conclusions in additional working papers considered necessary by the Impartial Reviewer based upon the reviews described in (a) or (b) above.

(5) Before the issuance of an opinion by Grant Thornton, the Audit Engagement Partner and Impartial Reviewer shall sign the Grant Thornton Report Guide sheet or other similar document. Completion of this document shall indicate that the Audit Engagement Partner has

concluded, and that the Impartial Reviewer concurs with the Audit Engagement Partner's conclusion, that:

- (a) the audit was performed in accordance with GAAS;
- (b) the application of GAAP to significant accounting or reporting matters was proper;
- (c) the issuance of Grant Thornton's report on the financial statements is approved; and
- (d) the audit was performed in compliance with the terms of this Order in all respects material to the financial statements.

(6) Grant Thornton shall perform audits of insured depository institutions in accordance with GAAS, including:

- (a) making appropriate use of audit procedures that give due consideration to the possibility that the substance of a particular transaction may be materially different from its form and that acknowledge that GAAP recognizes the importance of reporting transactions and events in accordance with their substance as described in AU § 411; and
- (b) following the hierarchy of established accounting principles as set forth in paragraph AU § 411. If, due to new developments such as legislation or the evolution of a new type of business transaction, there are no established accounting principles for reporting a specific transaction or event, then Grant Thornton shall give consideration to whether it might be possible to report the event or transaction by selecting an accounting

principle that appears appropriate when applied in a manner similar to the application of an established principle to an analogous transaction or event in accordance with AU § 411.

(7) In conducting audits of insured depository institutions, Grant Thornton shall obtain sufficient competent evidential matter through independent inspection, observation, and confirmation, and written representations from the client, so as to afford a reasonable basis for an opinion regarding the financial statements under audit in accordance with AU § 326.

(8) *Confirmations.* Grant Thornton shall ensure that confirmations it performs as part of audits for insured depository institutions are in accordance with GAAS, including but not limited to AU § 330. Grant Thornton shall, in accordance with GAAS, obtain and retain written documentation provided by persons or businesses other than the client sufficient to verify the ownership of assets as part of the working papers for that audit or engagement. Additionally, when oral representations by a confirming party or its representative alter the substance of a confirmation, Grant Thornton shall procure written verification and explanation of this alteration from the confirming party.

(9) In performing an audit of an insured depository institution, Grant Thornton shall, in accordance with GAAS, take such steps as are necessary to gain an understanding of all financial relationships between the institution and other persons or entities that have or could reasonably be expected to have a material effect on the financial statements of the institution.

(10) Each audit of the financial statements of an insured depository institution by Grant Thornton shall include, in accordance with GAAS:

- (a) procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts;
- (b) procedures designed to identify related-party transactions that are material to the financial statements or otherwise require disclosure therein; and
- (c) an evaluation of whether there is substantial doubt about the ability of the institution to continue as a going concern during the ensuing fiscal year.

(11) If, in the course of conducting an audit of an insured depository institution, Grant Thornton detects or otherwise becomes aware of information indicating that an illegal act (whether or not perceived to have a material effect on the financial statements of the institution) has or may have occurred, the firm shall, in accordance with GAAS:

- (a) determine whether it is likely that an illegal act has occurred; and
- (b) if so, determine and consider the possible effect of the illegal act on the financial statements of the institution, including any contingent monetary effects, such as fines, penalties, and damages; and
- (c) as soon as practicable, inform the appropriate level of the management of the institution and assure that the audit committee of the institution, or the board of directors of the institution in the absence of such a committee, is adequately informed with respect to illegal acts that have been detected or have otherwise come to the attention of Grant Thornton in the course of the audit, unless the illegal act is clearly inconsequential.

(12) If, after determining that the audit committee of the institution, or the board of

directors of the institution in the absence of an audit committee, is adequately informed with respect to illegal acts that have been detected or have otherwise come to the attention of the firm in the course of the audit of such institution, Grant Thornton concludes that:

- (a) the illegal act has a material effect on the financial statements of the institution;
- (b) the senior management of the institution has not taken, and the board of directors has not caused senior management to take, timely and appropriate remedial actions with respect to the illegal act; and
- (c) the failure to take remedial action is reasonably expected to warrant departure from a standard audit report by Grant Thornton, when made, or warrant resignation from the audit engagement,

Grant Thornton shall, as soon as practicable, directly report its conclusions to the board of directors of the institution.

(13) When Grant Thornton performs an audit for an insured depository institution, Grant Thornton shall timely report to the audit committee of the institution (or to the board of directors, if the institution does not have an audit committee):

- (a) all critical accounting policies and practices to be used;
- (b) all alternative treatments of financial information within GAAP that have been discussed with management officials of the institution, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by Grant Thornton; and



- (c) other material written communications between Grant Thornton and the management of the institution, such as any management letter or schedule of unadjusted differences.

(14) Grant Thornton shall not permit an accountant associated with the firm to participate in any manner in an audit or the performance of non-audit services for an insured depository institution if that accountant has been censured or denied (temporarily or permanently) the privilege of appearing or practicing before the Securities and Exchange Commission pursuant to 15 U.S.C. § 78d-3, unless, prior to that accountant performing any services for the institution, Grant Thornton:

- (a) notifies the insured depository institution of the action of the Securities and Exchange Commission with respect to the accountant; and
- (b) obtains the written consent of the audit committee of the institution (or, if there is no audit committee, of the board of directors of the institution) to have the accountant perform specified services for the institution.

### **ARTICLE III**

#### **Minimum Accountant Qualifications**

(1) Grant Thornton shall ensure that accountants (including Audit Engagement Partners, Impartial Reviewers, senior managers, and managers) assigned to perform accounting services for or audits of insured depository institutions have sufficient skill, professional competence, and experience in relevant matters to perform each of the tasks undertaken by them competently and in accordance with GAAP and GAAS, as applicable.

## ARTICLE IV

### Working Papers

(1) Grant Thornton shall preserve all working papers (as described in AU § 339) prepared in connection with audit, accounting, or consulting work, all engagement planning documentation, and all papers (including e-mails) documenting the acceptance of insured depository institution audit engagements, including those presently held by Grant Thornton and those generated in the future, for a period of six (6) years from the end of the fiscal period in which the audit or service performed for the insured depository institution was concluded. This paragraph does not apply in connection with audit or other services commenced prior to sixty (60) days from the date of this Order.

(2) Grant Thornton shall promptly provide reasonable and prompt access to its working papers at the request of the appropriate banking agency or the Federal Deposit Insurance Corporation ("FDIC"), and shall provide, at its own expense, copies of its working papers at the request of the appropriate banking agency or the FDIC.

(3) Grant Thornton's working papers for all insured depository institution audit engagements:

- (a) shall be designed to meet the circumstances of a particular engagement and constitute the principal record of the work that Grant Thornton has performed and conclusions that it has reached concerning significant matters. However, as permitted by AU § 339, Grant Thornton may support its report by other means in addition to working papers; and

(b) shall document the procedures applied, the tests performed, the information obtained, and the pertinent conclusions reached in the engagement, including facts obtained during interviews with insured depository institution personnel and responses to significant issues identified during the review of the working papers.

(4) If working papers are modified, altered or supplemented after forty-five (45) days from the issuance of an audit opinion, then as soon as is practicable, such changes shall be clearly identified and the reason for the changes explained in a document to be retained with the supplemental working papers and signed and dated by the person making the change and the person approving such change. In implementing this paragraph, Grant Thornton shall take steps to limit access to working papers following the completion of an audit or engagement.

## **ARTICLE V**

### **Peer Review**

(1) Grant Thornton shall provide a copy of this Order to any accounting firm that performs a peer review of its accounting operations, including any review performed in accordance with 12 U.S.C. § 1831m(g)(3). Grant Thornton shall retain documentation indicating that this Order was provided to any peer review firm for five (5) years following such review.

## **ARTICLE VI**

### **Implementation of Order**

(1) Each provision in this Order shall be effective thirty (30) days after the date of this Order unless otherwise stated in this Order, and shall remain in effect for six (6) years from this effective date unless altered or terminated by the Comptroller.

(2) Any communications or documents required by this order shall be sent to the Office of the Comptroller of the Currency, 250 E Street S.W., Washington, D.C., 20219, to the attention of the Director, Enforcement and Compliance Division (“Enforcement Director”), unless otherwise stated. Any request for modification or termination of this Order shall be delivered to the same address.

(3) Within thirty (30) days of the effective date of this Order, Grant Thornton shall provide to the Enforcement Director documentation of procedures designed to implement the directives contained in this Order, including documents evidencing that the appropriate officials or governing bodies within Grant Thornton have approved those procedures.

(4) Beginning sixty (60) days after the effective date of this Order, Grant Thornton shall not provide any services to insured depository institutions unless those services are performed in accordance with the provisions of this Order. To the extent that this Order addresses matters included within Grant Thornton’s present policies, Grant Thornton shall continue to require adherence to those policies consistent with the terms of this Order.

(5) Nothing in this Order shall be construed to relieve Grant Thornton of the obligation to comply with all laws, rules or regulations applicable to any audit or accounting engagement, including but not limited to Title 15 of the United States Code (including 15 U.S.C. § 78j-1) for insured depository institutions that are “issuers” within the meaning of Title 15. To the extent any provision of this Order conflicts with the requirements of Title 15, the requirements of Title 15 shall prevail.

(6) Grant Thornton shall require each Grant Thornton accountant, at or prior to the

time the accountant is initially assigned to perform services for an insured depository institution client, to read a copy of this Order and acknowledge in writing that he or she has done so. Grant Thornton accountants who are performing services for insured depository institutions as of the effective date of this Order must read a copy of the Order and acknowledge in writing that he or she has done so no later than twenty (20) days after the effective date of this Order. Grant Thornton shall retain copies of the acknowledgments described above until six (6) years after the termination of the Order.

(7) Grant Thornton shall not participate in, or aid and abet, any violations of law, breaches of fiduciary duty, or unsafe or unsound practices (as that term is used in Title 12, Section 1818 of the United States Code) with respect to any insured depository institution for which it provides services.

## **ARTICLE VII**

### **Definitions**

(1) The term "appropriate banking agency" includes the "appropriate Federal banking agency," as well as the "State bank supervisor" when applicable, as those terms are defined in Title 12, Section 1813, of the United States Code.

(2) "AU" means United States Professional Auditing Standards promulgated by the Auditing Standards Board of the AICPA.

(3) "Audit" or "audit engagement" means an audit of financial statements performed in accordance with GAAS and includes written opinions issued as a result of such audits.

(4) "Audit Engagement Partner" means the partner or other employee of Grant

Thornton, whether or not so denominated by Grant Thornton, charged with the responsibilities of the Audit Engagement Partner set forth in Article II above.

(5) "GAAP" is defined as the Generally Accepted Accounting Principles, as defined and described by AU § 411 issued by the AICPA, and shall include subsequent modifications, amendments, and changes thereto.

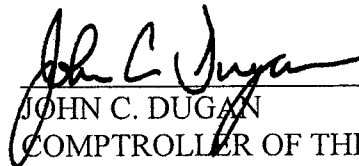
(6) "GAAS" is defined as the Generally Accepted Auditing Standards, as defined by AU § 150 issued by the AICPA, shall include subsequent modifications, amendments, and changes thereto, and shall include auditing standards promulgated by the Public Company Accounting Oversight Board ("PCAOB"), if and when applicable.

(7) "Grant Thornton" means Grant Thornton LLP, and all predecessor and successor organizations.

(8) "Impartial Reviewer" means the partner or employee of Grant Thornton charged with the responsibilities of the Impartial Reviewer set forth in Article II above.

(9) "Insured depository institution" shall have the meaning provided in 12 U.S.C. § 1813(c)(2) ("Insured depository institutions"), and shall also include credit unions as defined in 12 U.S.C. § 1752(1), entities identified in 12 U.S.C. § 1813(c)(3), and any subsidiaries of such institutions or entities; and shall also include any bank holding company as defined in 12 U.S.C. § 1841(a) and any savings and loan holding company as defined in 12 U.S.C. § 1467a(a)(D)-(F). "Institution" shall have the same meaning.

IT IS SO ORDERED, this 7th day of December, 2006.

  
JOHN C. DUGAN  
COMPTROLLER OF THE CURRENCY