

ORDER**II.**

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement ("Offers") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over them and the subject matter of these proceedings, which is admitted, Respondents consent to the entry of this Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions ("Order") as set forth below.²

III.

On the basis of Respondents' Offers, the Board finds that:³

A. Respondents

1. Pritchett, Siler & Hardy, P.C. is, and at all relevant times was, a professional corporation organized under the laws of the state of Utah and headquartered in Salt Lake City, Utah, with an additional office in Farmington, Utah. The Firm is licensed to practice public accounting by the state of Utah, (License No. 106597-2603). The Firm is registered with the Board under Section 102 of the Act and PCAOB rules.

2. Douglas W. Child, CPA, 59, of East Eden, Utah, is a certified public accountant licensed by the Utah Division of Occupational and Professional Licensing (License No. 153074-2601). At all relevant times, Child was a partner at PSH and a partner at the unregistered public accounting firm, Pinnacle Accountancy Group, PLLC ("Pinnacle"). Child was, at all relevant times, "an associated person of a registered public accounting firm" (PSH) as that term is defined in Section 2(a)(9) of the Act, and PCAOB Rule 1001(p)(i). Child was the auditor with final responsibility for, and authorized the issuance of, PSH's audits of the financial statements of all PSH issuer audit clients from January 12, 2015 through January 12, 2016.

² The findings herein are made pursuant to Respondents' Offers and are not binding on any other persons or entities in this or any other proceeding.

³ The Board finds that Respondents' conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of (A) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (B) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

ORDER**B. Other Relevant Entities and Individuals**

3. Pinnacle Accountancy Group, PLLC is, and at all relevant times was, a professional limited liability company organized under the laws of the state of Utah and headquartered in Farmington, Utah. The Firm is licensed to practice public accounting by the state of Utah (License No. 8399081-2603). At all relevant times, Child and Douglas W. Morrill, CPA ("Morrill") were partners at Pinnacle. The firm has never been registered with the Board under Section 102 of the Act and PCAOB rules.⁴

4. Douglas W. Morrill, 49, of West Haven, Utah, is a certified public accountant licensed by the state of Utah (License no. 3082647-2601). At all relevant times, Morrill was a partner at PSH and/or a partner at Pinnacle. Morrill was, at all relevant times, an "associated person of a registered public accounting firm" (PSH) as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i), including after the settlement that resulted in the Board's issuance of the Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions, *In the Matter of Morrill & Associates, LLC, Douglas W. Morrill, CPA, and Grant L. Hardy, CPA*, PCAOB Rel. No. 105-2015-001 (Jan. 12, 2015) ("Settled Order"). Morrill purportedly left PSH after the Board's issuance of the Settled Order, but remained a partner at Pinnacle. The Settled Order, among other things, censured Morrill, barred him from being an "associated person of a registered public accounting firm" for a period of three years from the date of the Settled Order, with a right to petition for Board consent to associate with a registered public accounting firm after three (3) years from the date of the Settled Order, and made him jointly and severally liable for the civil monetary penalty imposed on the then-registered public accounting firm, Morrill & Associates, LLC ("Morrill & Associates"), in the amount of \$20,000.

5. Grant L. Hardy ("Hardy"), 66, of Salt Lake City, Utah, is a certified public accountant licensed by the state of Utah (License no. 141081-2601).⁵ At all relevant times, Hardy was a partner at PSH. Hardy was, at all relevant times, an "associated person of a registered public accounting firm" (PSH) as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i), including after the settlement that resulted in the Board's issuance of the Settled Order. The Settled Order, among other things, censured Hardy and suspended him from being an "associated person of a registered public accounting firm" for a period of one year from the date of the Settled Order.

⁴ *Pinnacle Accountancy Group, PLLC and Douglas W. Child, CPA*, Exchange Act Release No. 86034 (June 5, 2019)

⁵ *Grant L. Hardy, CPA*, PCAOB Release No. 105-2019-015 (June 5, 2019)

ORDER**C. Summary**

6. This matter concerns PSH's violations of the Act and PCAOB rules when it permitted Morrill, a former PSH partner, and Hardy, a PSH partner, to each become or remain an associated person of PSH during the time that Morrill and Hardy were each subject to a Board order barring Morrill, and suspending Hardy, from being "associated with a registered public accounting firm," in violation of Section 105(c)(7)(A) of the Act, and Rule 5301(b).

7. This matter also concerns PSH's failure to establish and effectively maintain a system of quality control policies and procedures to ensure that Morrill and Hardy complied with the Settled Order, in violation of QC § 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, and QC § 30, *Monitoring a CPA Firm's Accounting and Auditing Practice*.

8. This matter further concerns Child's direct and substantial contribution to PSH's violations of the Act and PCAOB rules and standards in contravention of PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

D. PSH Violated the Act and PCAOB Rules Related to Associated Persons**1. Background**

9. On January 12, 2015, the Board issued the Settled Order, with the consent of Morrill and Hardy, on a neither admit nor deny basis. The Settled Order resulted from violations by Morrill and Hardy of PCAOB rules and auditing standards; specifically, when Morrill served as the engagement partner for the audits of the financial statements of four issuer clients, and Hardy served as the engagement quality reviewer for the audits of the financial statements of three issuer clients of Morrill & Associates. Among other things, the Settled Order barred Morrill for a period of three years ("three-year bar"), with a right to petition for Board consent to associate with a registered public accounting firm after three (3) years from the date of the Settled Order, and suspended Hardy for a period of one year (the "suspension year") from the date of the Settled Order. Specifically, the Settled Order precluded Morrill and Hardy from being an "associated person of a registered public accounting firm," as that term is defined in Section 2(a)(9) of the Act, and PCAOB Rule 1001(p)(i) during the period of their respective bar or suspension. Morrill's three-year bar included the period January 12, 2015 through January 12, 2018; Hardy's suspension year covered the period January 12, 2015 through January 12, 2016.

10. Under the Act and PCAOB rules, a registered public accounting firm that knows an individual is suspended or barred from associating with any registered firm may not permit him or her to become or remain an "associated person" of the firm

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without the consent of the Board or the United States Securities and Exchange Commission ("Commission").⁶ The Act and PCAOB rules define an "associated person" as, among other things, any "professional employee of a public accounting firm . . . that, in connection with the preparation or issuance of any audit report (i) shares in the profits of, or receives compensation in any other form from, that firm; or (ii) participates as agent or otherwise on behalf of such accounting firm in any activity of that firm."⁷

11. After the Board issued the Settled Order, PSH permitted Morrill and Hardy to each become or remain an associated person of the Firm by allowing both Morrill and Hardy to engage in activities in connection with the preparation or issuance of issuer audit reports in violation of the Act and PCAOB Rules. It did so despite its knowledge of the Settled Order and without the consent of the Board or the Commission. Further, PSH failed to develop sufficient policies and procedures to ensure that Morrill and Hardy did not remain associated with the Firm during their bar or suspension year.

12. After the issuance of the Settled Order, Morrill purportedly severed his ties with PSH due to the three-year bar, but remained, at all relevant times, a partner at Pinnacle.⁸ In addition, after the issuance of the Settled Order, Hardy continued to serve as a partner at PSH, but the firm prohibited him from signing audit opinions for public company clients, from accepting new public company audit engagements, and from serving as an engagement quality reviewer on such engagements. Hardy was also prohibited from sharing in the profits of, or receiving compensation in any other form in connection with, PSH's preparation or issuance of audit reports.

13. Shortly after the Board issued the Settled Order, PSH notified its "shareholders and management" that the Firm's issuer audit practice would be led by Child, who would serve as the engagement partner on all of the Firm's issuer audits and reviews during the period of Hardy's suspension. In addition, PSH sent its issuer clients a form letter which notified those clients of certain "partner assignment changes": specifically, that Child would be the engagement partner for all of PSH's issuer audit practice. PSH did not indicate in the letter to its issuer audit clients the reasons for the changes, that Hardy and Morrill had been sanctioned by the Board, or that Morrill was no longer associated with PSH. Indeed, Morrill was not even mentioned in the letter.

⁶ Act § 105(c)(7)(A); PCAOB Rule 5301(b).

⁷ Act § 2(a)(9); PCAOB Rule 1001(p)(i).

⁸ At all relevant times, pursuant to an oral agreement between PSH and Pinnacle, Pinnacle audit staff and Child, who was a partner at both PSH and Pinnacle, performed all of the audit work with respect to PSH's audits of the financial statements of its issuer audit clients during the first year of Morrill's bar and Hardy's suspension year. Pinnacle shared office space with PSH at the satellite office of PSH in Farmington, Utah.

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14. After the Settled Order's issuance, PSH and Pinnacle orally agreed that Pinnacle audit staff and Child, who was a partner at both PSH and Pinnacle, would perform all of the audit work with respect to PSH's audits of the financial statements of its issuer audit clients. PSH reimbursed Pinnacle for all costs associated with PSH's use of Pinnacle's audit staff on PSH issuer audits. Funds paid to Pinnacle by PSH were deposited into a general purpose bank account maintained by Child on behalf of Pinnacle.

15. PSH did not implement or otherwise document any changes to its quality control policies and procedures to address, among other things, potential issues related to Morrill or Hardy after the Board issued the Settled Order.⁹ Child was the person principally charged by PSH with monitoring the effectiveness of the Firm's system of quality control, including the firm's compliance with the PCAOB order sanctioning Morrill and Hardy.

16. As described below, PSH permitted Morrill and Hardy to become or remain associated persons of the Firm by allowing them to engage in activities in connection with the preparation or issuance of issuer audit reports in violation of the Act and PCAOB Rules.

2. Morrill Was an Associated Person of PSH While Barred*Morrill's Role at PSH*

17. During the pendency of his bar, Morrill, while working at Pinnacle, interacted with PSH issuer engagement teams and the management of PSH issuer clients after the Board issued the Settled Order in January 2015. Specifically, Morrill consulted with, assisted, and/or advised PSH engagement teams regarding significant matters. In each instance, Morrill communicated directly with an audit engagement team member or a member of management who was seeking advice or assistance from him regarding an audit.

Issuer A

18. Issuer A is a Nevada corporation with a principal office in Salt Lake City, Utah. PSH audited the financial statements of Issuer A for fiscal year ending ("FYE")

⁹ Each registered public accounting firm is required to develop, implement, and maintain a system of quality control for its accounting and audit practice. A firm's system of quality control is designed to provide the "firm with reasonable assurance that its personnel comply with applicable professional standards and the firm's standards of quality." QC § 20.03; see also PCAOB Rule 3400T, *Interim Quality Control Standards*; QC § 20.01.

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December 31, 2014 and issued an audit report on those financial statements on March 27, 2015. At all relevant times, Issuer A was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

19. During his bar, Morrill participated in substantive audit decisions in connection with the preparation and issuance of PSH's audit report on Issuer A's FYE December 31, 2014 financial statements ("Issuer A Audit"). Morrill served previously as the PSH engagement partner on the Issuer A Audit and completed the quarterly reviews for the first three quarters of that audit. However, after the Board sanctioned Morrill in January 2015, he was replaced by Child.

20. At the commencement of the audit, neither Morrill nor Child informed Issuer A's CEO that the reason Morrill was replaced as the engagement partner on that audit was due to Morrill's three-year bar. Issuer A's CEO was told that Morrill had been replaced as engagement partner by Child so that Morrill could focus more on Pinnacle's audit practice.

21. Beginning in at least February 2015, approximately one month after he was sanctioned by the Board, Morrill communicated with Issuer A's CEO regarding the audit. Specifically, on multiple occasions Morrill discussed the following matters with Issuer A's CEO: the progress of the audit, a significant account involving a debt extinguishment transaction, and the CEO's complaints regarding the non-responsiveness of the engagement team. Child was aware of Morrill's communications with Issuer A's CEO.

22. In March 2015, Morrill consulted with Issuer A's CEO and the engagement team regarding the nature and accounting treatment of a complex debt extinguishment transaction pertaining to the audit. Specifically, Morrill advised Child and other members of the engagement team by providing his analysis regarding the selection of accounting principles for debt extinguishment and his views on the appropriate accounting treatment for that transaction. He also advised the engagement team to perform certain auditing procedures with respect to the debt extinguishment.

23. Further, Morrill's consultations and involvement with the engagement team on the Issuer A Audit continued after Child received the following email on March 18, 2015, from a consultant retained by PSH who had been copied on one of a series of emails discussing the debt extinguishment transaction issue:

Why is a barred individual talking to the client, the staff and providing guidance? Doug M[orrill] should not be talking to clients, talking to staff, taking up the issues etc. . . . See definition below of associated person (with my bold). Unless we have clearance from the PCAOB otherwise, this and Grant [Hardy] being on the occasional e-mail can cause significant issue.

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Later the same day, Child responded to the consultant's email by thanking him for "calling that out" and promised to "point out that can't happen again."

24. On the next day (March 19, 2015), Morrill, Child and another engagement team member exchanged a series of emails which discussed the options for accounting principles used for the debt extinguishment transaction and questions related to those options. Those discussions included Morrill's advice on the issue to the engagement team.

25. Morrill's communications with the engagement team, including Child, and the CEO of Issuer A regarding the debt extinguishment issue and other issues continued until the day before PSH issued its audit opinion on the financial statements of Issuer A for FYE December 31, 2014, on March 27, 2015.

Issuer B

26. Issuer B is a Nevada corporation with a principal office in Irvine, California. PSH audited the financial statements of Issuer B for FYE December 31, 2013 and 2014, and issued an audit report on those financial statements on May 13, 2015, and May 29, 2015, respectively. At all relevant times, Issuer B was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

27. During his bar, Morrill participated in substantive audit decisions in connection with the preparation and issuance of the Firm's audit reports for Issuer B's FYE December 31, 2013, and 2014 financial statements. Morrill previously served as the PSH engagement partner on those audits (collectively, the "Issuer B Audits"). However, after the Board sanctioned Morrill, he was replaced by Child.

28. On January 23, 2015, less than two weeks after he was sanctioned by the Board, Morrill sent an email to the president of Issuer B, with a copy to Issuer B's external accountant and members of the PSH engagement team, including Child. In the January 23rd email, Morrill advised the president of Issuer B that, he had "sat down" with the PSH audit engagement team regarding the Issuer B Audits. Morrill further stated that Issuer B's external accountant would "need to help [a member of the engagement team] to understand [a certain] Settlement Agreement and the accounting for it." Morrill also advised the president of Issuer B to expand one of the disclosures in Issuer B's fiscal year 2013 financial statements, which involved a related party transaction and the settlement of an associated debt liability.

29. During March and April 2015, Morrill advised the Issuer B engagement team about significant accounts and disclosures pertaining to a debt liability associated with the Settlement Agreement and a related party transaction. Morrill also met with the engagement team to discuss those issues.

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30. In April 2015, at Child's request, Morrill advised Child about the methodology for computing the valuation of warrants and related accounting for the Settlement Agreement, and a related Settlement Agreement Release entered into by Issuer B and certain third parties.

Issuer C

31. Issuer C is a Nevada corporation with a principal office in Wyckoff, New Jersey. PSH audited the financial statements of Issuer C for FYE June 30, 2015, and issued an audit report on those financial statements on October 13, 2015. At all relevant times, Issuer C was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

32. During his bar, Morrill participated in the Firm's audit of Issuer C's FYE June 30, 2015 financial statements. Specifically, on behalf of Child and the PSH engagement team, in February 2015, Morrill contacted Issuer C directly to obtain financial information necessary for PSH to conduct the FYE June 30, 2015 audit of Issuer C and updated the engagement team regarding the status of the request for financial information.

33. Morrill further assisted the PSH engagement team, including Child, in connection with the preparation and issuance of the Firm's reviews of the financial statements of Issuer C for the third quarter of fiscal year 2015 by sending similar requests to Issuer C for financial information.

3. Hardy Was an Associated Person of PSH While Suspended*Hardy's Role at PSH*

34. During the suspension year, Hardy's role was to "oversee" PSH's "private company audit practice". However, Hardy communicated with PSH engagement teams on multiple occasions in connection with the audits of several issuer clients.

Issuer D

35. Issuer D is a Nevada corporation with a principal office in Pocatello, Idaho. PSH audited the financial statements of Issuer D for FYE December 31, 2014, and issued an audit report on those financial statements on March 27, 2015. At all relevant times, Issuer D was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

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36. During the suspension year, Hardy participated in the audit of Issuer D's FYE December 31, 2014 financial statements. Specifically, in late February 2015, Hardy worked with members of the Issuer D engagement team to coordinate how to plan and perform the 2014 Issuer D audit. He also met with members of that engagement team because of their request "to see and discuss some of the documents" related to the 2014 Issuer D audit. Hardy also assisted the team regarding the timing of field work for the performance of fiscal year 2014 field procedures.

37. Further, Hardy advised Child on the accounting principles used for certain significant accounts receivable concerning related parties, and the disclosure of those amounts in Issuer D's financial statements made in a prior year, which were to be disclosed on a comparative basis in Issuer D's financial statements for FYE December 31, 2014.

38. In October 2015, nine months after his suspension, Hardy participated in a conference call initiated by an investor in Issuer D and executives of a third-party target company regarding confidential discussions for an audit of the private entity, which was considering entering into a reverse merger with Issuer D. Hardy subsequently emailed Child describing, among other things, the nature of the call, some details of the contemplated transaction, Issuer D's Form 10-K filing plans for fiscal year 2015 in light of the potential transaction and the investor's and the private company's representation to him that, "they would like PSH to continue as their auditors post acquisition."

39. Subsequently, during the engagement team's review of Issuer D's financial statements for the third quarter of fiscal year 2015, Child requested Hardy's advice regarding whether Issuer D was required to disclose the proposed acquisition in those financial statements. Hardy responded, in a series of emails, that disclosure of the proposed acquisition was not required.

Issuer E

40. Issuer E was a Nevada corporation with a principal office in Concord, New Hampshire. PSH audited the financial statements of Issuer E for FYE June 30, 2014 and 2015, and issued an audit report on those financial statements on August 8, 2014 and October 9, 2015, respectively. At all relevant times, Issuer E was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

41. Issuer E was an issuer audit client of PSH for both FYE June 30, 2014 ("2014 Issuer E Audit") and FYE June 30, 2015 ("2015 Issuer E Audit"). Hardy was the engagement partner on the 2014 Issuer E Audit and Child was the engagement partner on the 2015 Issuer F Audit.

42. During the 2015 Issuer E Audit conducted in October 2015, the PSH engagement team determined that a restatement of Issuer E's 2014 financial statements might be necessary. The issue related to a liability incurred by Issuer E in

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connection with the issuance of stock pursuant to a Stock Purchase Agreement that occurred in June 2014.

43. During Hardy's suspension, a member of the PSH engagement team, with Child's approval, sought Hardy's advice regarding the potential restatement. Child also discussed with Hardy the "propriety of a restatement and the necessity of a restatement," because he was soliciting Hardy's "views, perspective and advice . . . with respect to what could be done to address the restatement issue." In addition, over a period spanning several days, Hardy exchanged emails with a member of the 2015 Issuer E engagement team informing the engagement team as to his views of the alternatives (i.e., restatement versus no restatement). On October 13, 2015, Issuer E filed its fiscal year 2015 financial statements and announced a restatement of its fiscal year 2014 financial statements.

Issuer F

44. Issuer F is a Nevada corporation with a principal office in Santa Fe, New Mexico. PSH audited the financial statements of Issuer F for FYE December 31, 2014, and issued an audit report on those financial statements on March 27, 2015. At all relevant times, Issuer F was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

45. PSH audited the financial statements of Issuer F for FYE December 31, 2013 ("2013 Issuer F Audit") and FYE December 31, 2014 ("2014 Issuer F Audit"). Hardy was the engagement partner on the 2013 Issuer F Audit and quarterly reviews of Issuer F for fiscal year 2014 until his suspension by the Board on January 12, 2015. Child was the engagement partner on the 2014 Issuer F Audit. Issuer F filed its financial statements for FYE December 31, 2014 with the Commission on March 31, 2015.

46. During the 2014 Issuer F Audit conducted in March 2015, Child consulted with Hardy regarding two issues. The first issue involved the accounting principles used for certain warrants related to equity transactions entered into by Issuer F during 2014. Child communicated with Hardy to "make sure [Child] had all information . . . needed to conclude on the accounting treatment" for purposes of the 2014 Issuer F Audit. Child also communicated with Hardy regarding the potential disclosure of the dissolution of a private consulting company subsidiary of Issuer F as a discontinued operation in the quarterly filings of Issuer F for fiscal year 2014. Child determined, based upon Hardy's advice and management representations, that Issuer F's decision not to report the dissolution as a discontinued operation was appropriate.

ORDER**4. Additional Associated Person Actions of Morrill and Hardy While Barred or Suspended***Issuer G*

47. Issuer G is a Nevada corporation with a principal office in Wilton, Connecticut. PSH audited the financial statements of Issuer G for FYE June 30, 2014 and 2015, and issued an audit report on those financial statements on October 14, 2014, and October 13, 2015, respectively. At all relevant times, Issuer G was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

48. During May 2015, in response to a request by Child, Hardy communicated with Child about several significant accounting and auditing matters related to the filing of Issuer G's unaudited quarterly financial statements with the Commission for the nine months ended March 31, 2015.

49. First, Hardy advised Child on the issue of whether a subsidiary had been consolidated with Issuer G. Hardy's conclusion, which was that the consolidation had not occurred as of March 31, 2015, was consistent with the disclosures ultimately made by Issuer G for the quarterly period ending March 31, 2015.

50. Second, Hardy advised Child on the issue of whether the amortization of certain warrant expenses was being accounted for appropriately in accordance with U.S. generally accepted accounting procedures. Upon receipt of this information, Child instructed an engagement team member to place the email containing Hardy's advice in the audit work papers for the 2015 Issuer G Audit and quarterly reviews file.

51. Child also solicited Morrill and Hardy's advice concerning a comment letter Issuer G received from the Commission dated March 13, 2015, related to the Form 10-K filed by that issuer for FYE June 30, 2014, which included an unqualified audit report issued by PSH. Specifically, on April 25, 2015, Child emailed Morrill and Hardy requesting a meeting to discuss the comment letter from the SEC and to "revisit conclusions reached on prior audits," regarding the revenue recognition procedures of Issuer G and the impairment of a material significant oil and gas asset. Morrill had served as the engagement partner on the FYE June 30, 2012 audit of Issuer G, performed by the then-registered accounting firm, Morrill & Associates. Hardy previously served as the engagement partner for the FYE June 30, 2013 audit of Issuer G performed by PSH.

52. Child requested the meeting to discuss the comment letter, because he "wanted to get Grant [Hardy's] and Doug Morrill's perspective on [Issuer G] engagement, with respect to why they recognized revenue on assumptions and estimates when the SEC was having a problem with it." In addition, Child wanted Morrill's and Hardy's "input in responding to the SEC for the years that they did the audits as to the extent or what they might have done for the impairment analysis."

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Depending on the outcome of the Commission's inquiry, the then-current FYE June 30, 2015 audit might have been affected, and the financial statements of Issuer G restated for FYE June 30, 2014.

53. Morrill and Hardy subsequently met with Child and provided their perspectives on the accounting used and auditing procedures performed in prior years regarding Issuer G's revenue recognition policies and the impairment of a material significant oil and gas asset about which the Commission was inquiring.

54. On October 7, 2015, Issuer G filed a response to the Comment Letter with the Commission. On October 13, 2015, Child issued an audit report containing an unqualified audit opinion on behalf of PSH, which was included in the financial statements of Issuer G for FYE June 30, 2015, filed with the Commission. In November 2015, the Commission completed its review of the filings of Issuer G without further action.

5. PSH Violated the Act and PCAOB Rules and Standards by Permitting Morrill and Hardy to Associate with the Firm While Barred or Suspended

55. By its acts and omissions described above, PSH permitted Morrill and Hardy to become or remain associated persons by engaging in activities on PSH's behalf in connection with the preparation or issuance of audit reports for PSH's issuer clients, during the pendency of the bar and suspension, respectively. As a result of the actions and omissions described above, PSH violated Section 105(c)(7)(A) of the Act, and PCAOB Rule 5301(b).

E. Respondents Violated PCAOB Rules and Standards Related to Quality Control

56. PCAOB rules require that a registered public accounting firm comply with the Board's quality control standards.¹⁰ PCAOB quality control standards require that a registered public accounting firm "shall have a system of quality control for its accounting and auditing practice."¹¹ PCAOB quality control standards provide that policies and procedures "should be established to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements of quality control . . . are suitably designed and are being effectively applied,"

¹⁰ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3400T.

¹¹ QC § 20.02.

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and that "its system of quality control is effective."¹² Under PCAOB standards, quality control policies and procedures should also be communicated to a firm's personnel in a manner that provides reasonable assurance that they are understood and complied with.¹³

57. PCAOB rules prohibit an associated person of a registered public accounting firm from taking or omitting to take an action knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation of Board standards by that firm.¹⁴

58. By its acts and omissions described above, PSH permitted Morrill and Hardy to become or remain an associated person by engaging in activities on PSH's behalf in connection with the preparation or issuance of audit reports of PSH's issuer clients during Morrill's bar and Hardy's suspension.

59. PSH's policies or procedures were not sufficient to ensure that Morrill and Hardy complied with the terms of the Settled Order. PSH also did not appropriately instruct anyone at PSH concerning how to monitor Morrill's and Hardy's compliance with the Settled Order.

60. Child was the sole audit partner at PSH serving as the engagement partner on the Firm's issuer audits at the times the acts and omissions described above occurred. He also was the individual at the Firm principally responsible for the development, maintenance, communication, and monitoring of the Firm's quality control policies and procedures. In connection with the acts and omissions described herein, Child took, or omitted to take, actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of PCAOB quality control standards, in contravention of PCAOB Rule 3502.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondents' Offers. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Pritchett, Siler & Hardy, P.C. is hereby censured;

¹² QC § 20.20; see also QC § 30.03.

¹³ See QC § 20.23.

¹⁴ PCAOB Rule 3502.

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- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Pritchett, Siler & Hardy, P.C. is revoked;
- C. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Douglas W. Child is hereby censured;
- D. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Douglas W. Child is barred from being "an associated person of a registered public accounting firm," as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);¹⁵
- E. After two (2) years from the date of this Order, Douglas W. Child may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm; and
- F. If Douglas W. Child is permitted to associate once again with a registered public accounting firm, pursuant to Section 105(c)(4)(C) of the Act and PCAOB Rule 5300(a)(3), for a period of one (1) year from the date his bar is terminated, his role in any "audit," as that term is defined in Section 110(1) of the Act and PCAOB Rule 1001(a)(v), shall be restricted as follows: Child shall not (1) serve, or supervise the work of another person serving, as an "engagement partner," as that term is used in the Board's AS 1201, *Supervision of the Audit Engagement*; (2) serve, or supervise the work of another person serving, as an "engagement quality reviewer," as that term is used in the Board's AS 1220, *Engagement Quality Review*; (3) serve, or supervise the work of another person serving, in any role that is equivalent to, but differently denominated from, engagement partner (such as "lead partner" or "practitioner-in-charge") or engagement quality reviewer (such as "concurring partner"); (4) exercise authority, or supervise the work of another person exercising authority, either to sign a registered public accounting firm's name to an audit report, or to consent to the use of a previously issued audit report, for any issuer, broker, or dealer; (5) assist the engagement partner in fulfilling his or her responsibilities under paragraph 4 of AS 1201, *Supervision of the Audit Engagement*; (6) serve, or supervise the work of another person serving,

¹⁵ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Child. Section 105(c)(7)(B) provides: "It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."

ORDER

as the "other auditor," or "another auditor," as those terms are used in the Board's AS 1205, *Part of the Audit Performed by Other Independent Auditors*; or (7) serve, or supervise the work of another individual serving, as a professional practice director.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

June 5, 2019