

ORDER**III.**

On the basis of Respondent's Offer, the Board finds that:³

A. Respondent

1. 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). At all relevant times, Hardy was a partner at Pritchett, Siler & Hardy, P.C. ("PSH").⁴ Hardy was, at all relevant times, 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), 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"). The Settled Order, among other things, censured Hardy and suspended him from being an "associated person of a registered accounting firm" for a period of one year from the date of the Settled Order.

B. Other Relevant Entities and Individuals

2. 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.

3. Douglas W. Child, CPA ("Child"), 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 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

³ The Board finds that Respondent's 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.

⁴ *Pritchett, Siler & Hardy, P.C. and Douglas W. Child, CPA*, PCAOB Release No. 105-2019-014 (June 5, 2019)

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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, 2016.⁵

C. Summary

4. This matter concerns Hardy's violations of the Act and PCAOB rules when Hardy remained an "associated person" of PSH during the time that he was subject to a Board order suspending him from being "an associated person of a registered public accounting firm."

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

5. On January 12, 2015, the Board issued the Settled Order with the consent of Hardy, on a neither admit nor deny basis. Among other things, the Settled Order resulted from violations by Hardy of PCAOB rules and auditing standards when he served as the engagement quality reviewer for the audits of the financial statements of three issuer clients of Morrill & Associates, LLC, then a PCAOB registered public accounting firm. The Settled Order suspended Hardy for a period of one year from the date of the Settled Order ("suspension-year") 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) (i.e., January 12, 2015 to January 12, 2016).

6. Under the Act and PCAOB rules, it is unlawful for any person that is suspended or barred from being associated with a registered public accounting firm to become or remain an "associated person" of the firm 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 of a public accounting firm" as, among other things, any "professional employee of a public accounting firm . . . that, in connection with the preparation or issuance of any audit report . . . (ii) participates as agent or otherwise on behalf of such accounting firm in any activity of that firm."⁷

⁵ Id.

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

⁷ Act § 2(a)(9); PCAOB Rule 1001(p)(i). The definition of "associated person" also includes an individual who, "in connection with the preparation or issuance of any audit report," "shares in the profits of, or receives compensation in any other form from," a registered public accounting firm. Act § 2(a)(9)(A)(i); PCAOB Rule 1001(p)(i)(1).

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7. As described below, after the Board issued the Settled Order, Hardy continued to be a partner at PSH and remained an "associated person" of PSH by engaging in activities in connection with the preparation or issuance of issuer audit reports in violation of the Act and PCAOB Rules. Hardy did so without the consent of the Board or the Commission.

2. Hardy's Involvement in PSH Audits*Hardy's Role at PSH*

8. 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 A

9. Issuer A is a Nevada corporation with a principal office in Pocatello, Idaho. PSH audited the financial statements of Issuer A for FYE 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).

10. During the suspension year, Hardy participated in the audit of Issuer A's FYE December 31, 2014 financial statements. Specifically, in late February 2015, Hardy worked with members of the Issuer A engagement team to coordinate how to plan and perform the 2014 Issuer A 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 A audit. Hardy also assisted the team regarding the timing of field work for the performance of FYE December 31, 2014 field procedures.

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

12. In October 2015, nine months after his suspension, Hardy participated in a conference call initiated by an investor in Issuer A 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 A. Hardy subsequently emailed Child describing, among other things, the nature of the call, some details of the contemplated transaction, Issuer A's Form 10-K filing plans for FY 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."

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

Issuer B

14. Issuer B was a Nevada corporation with a principal office in Concord, New Hampshire. PSH audited the financial statements of Issuer B 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 B was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

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

16. During the 2015 Issuer B Audit conducted in October 2015, the PSH engagement team determined that a restatement of Issuer B's 2014 financial statements might be necessary. The issue related to a liability incurred by Issuer B in connection with the issuance of stock pursuant to a Stock Purchase Agreement that occurred in June 2014.

17. During Hardy's suspension, members of the PSH engagement team, including Child, sought Hardy's advice regarding the "propriety of a restatement and the necessity of a restatement." In addition, over a period spanning several days, Hardy exchanged emails with a member of the 2015 Issuer B engagement team informing the engagement team as to his views of the alternatives (i.e., restatement versus no restatement). On October 13, 2015, Issuer B filed its FY 2015 financial statements and announced a restatement of its FY 2014 financial statements.

Issuer C

18. Issuer C is a Nevada corporation with a principal office in Santa Fe, New Mexico. PSH audited the financial statements of Issuer C for FYE December 31, 2014, and issued an audit report on those financial statements on March 27, 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).

19. PSH audited the financial statements of Issuer C for FYE December 31, 2013 ("2013 Issuer C Audit") and FYE December 31, 2014 ("2014 Issuer C Audit"). Hardy was the engagement partner on the 2013 Issuer C Audit and quarterly reviews of Issuer C for fiscal year 2014 until his suspension by the Board on January 12, 2015.

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Child was the engagement partner on the 2014 Issuer C Audit. Issuer C filed its financial statements for FYE December 31, 2014 with the Commission on March 31, 2015.

20. During the 2014 Issuer C Audit conducted in March 2015, Hardy advised Child concerning two issues. The first issue involved the accounting principles used for certain warrants related to equity transactions entered into by Issuer C 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 C Audit. Child also communicated with Hardy regarding the potential disclosure of the dissolution of a private consulting company subsidiary of Issuer C as a discontinued operation in the quarterly filings of Issuer C for FY 2014. Child determined, based upon Hardy's advice and management representations, that Issuer C's decision not to report the dissolution as a discontinued operation was appropriate.

Issuer D

21. Issuer D is a Nevada corporation with a principal office in Wilton, Connecticut. PSH audited the financial statements of Issuer D 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 D was an "issuer" as the term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

22. During May 2015, Hardy communicated with Child about several significant accounting and auditing matters related to the filing of Issuer D's unaudited quarterly financial statements with the Commission for the nine months ended March 31, 2015.

23. First, Hardy advised Child on the issue of whether a subsidiary had been consolidated with Issuer D. 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 D for the quarterly period ending March 31, 2015.

24. 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 D Audit and quarterly reviews file.

25. Third, Hardy advised Child concerning a comment letter Issuer D 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 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 D and the impairment of

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a material significant oil and gas asset. Hardy previously served as the engagement partner for the FYE June 30, 2013 audit of Issuer D performed by PSH.

26. Child requested the meeting to discuss the comment letter because he wanted Hardy's perspective on the 2015 Issuer D engagement. Specifically, Child wanted to understand why at the time Hardy served as engagement partner, Issuer D had recognized revenue on assumptions and estimates "when the SEC was having a problem with it." In addition, Child wanted Hardy's input in responding to the SEC for the year that Hardy performed the Issuer D audit and what Hardy "might have done for the impairment analysis." 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 D restated for FYE June 30, 2014.

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

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

3. Hardy Violated the Act and PCAOB Rules by Associating with PSH While Suspended

29. By the acts and omissions described above, Hardy became or remained an associated person of PSH 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 his suspension. As a result of the actions and omissions described above, Hardy violated Section 105(c)(7)(A) of the Act, and PCAOB Rule 5301(a).

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 Respondent's Offer. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Grant L. Hardy is hereby censured;

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- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Grant L. Hardy 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);⁸ and
- C. After one (a) year from the date of this Order, Grant L. Hardy may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

June 5, 2019

⁸ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Hardy. 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."