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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Heber Maughan, CPA,

Respondent.

PCAOB Release No. 105-2025-003

February 11, 2025

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring Heber Maughan, CPA (“Maughan” or “Respondent”);
- (2) barring Maughan from being an associated person of a registered public accounting firm; and
- (3) imposing on Maughan a \$10,000 civil money penalty.¹

The Board is imposing these sanctions on the basis of its findings that Respondent violated PCAOB rules and standards in connection with a PCAOB inspection, a PCAOB investigation, and audit documentation for several audits of issuers.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (“Act”), and PCAOB Rule 5200(a)(1) and (3) against Respondent.

¹ The Board determined to accept Respondent’s offer of settlement, which specifies a \$10,000 civil money penalty, after considering his financial resources. Based on Respondent’s conduct, the Board would have imposed a civil money penalty of \$75,000 in this settlement if it had not taken his financial resources into consideration.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement (“Offer”) 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 Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to the entry of this Order as set forth below.²

III.

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

A. Respondent

1. **Heber Clark Maughan, CPA** is, and at all relevant times was, a certified public accountant licensed by the states of Utah (license no. 131124-2601) and Vermont (license no. 001.0133912). Maughan was a partner at formerly registered public accounting firm MaughanSullivan LLC (“MaughanSullivan” or “Firm”).⁴ Maughan is, and at all relevant times was, 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). Maughan served as the engagement partner on every issuer audit conducted by MaughanSullivan.

B. Summary

2. Staff from the PCAOB’s Division of Registration and Inspections (“Inspection Staff”) inspected MaughanSullivan in 2020 and 2023. In both inspections (the “2020 Inspection” and “2023 Inspection,” respectively, and together the “Inspections”), Maughan made available to Inspection Staff audit documentation that he had improperly altered and backdated. That

² The findings herein are made pursuant to Respondent’s Offer and are not binding on any other person or entity in this or any other proceeding.

³ The Board finds that Respondent’s conduct described in this Order meets the condition set out in Section 105(c)(5)(A) of the Act, 15 U.S.C. § 7215(c)(5)(A), which provides that certain sanctions may be imposed in the event of intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard.

⁴ The Board granted MaughanSullivan’s request for leave to withdraw from registration, effective October 21, 2024.

audit documentation consisted of work papers for five audits of four Firm issuer clients. Maughan never disclosed the alterations or backdating to the Inspection Staff.

3. Staff from the PCAOB's Division of Enforcement and Investigations ("Enforcement Staff") investigated MaughanSullivan in connection with several audits, including the audits reviewed during the Inspections. In response to accounting board demands ("ABDs," and each an "ABD") Enforcement Staff issued, Maughan provided audit work papers he had improperly altered and backdated either at the time of the Inspections or after Enforcement Staff had called for their production. That audit documentation consisted of work papers for eight audits of four Firm issuer clients. Maughan failed to disclose the alterations and backdating to Enforcement Staff.

4. By engaging in the above conduct, Maughan violated his cooperation obligation in connection with two PCAOB inspections and a PCAOB investigation. Maughan also violated PCAOB standards concerning audit documentation and ethics.

C. Maughan Violated PCAOB Rules and Standards

5. PCAOB rules require that associated persons of registered public accounting firms comply with applicable auditing and related professional practice standards.⁵ As set out below, Maughan failed to comply with PCAOB rules and standards.⁶

i. Maughan Failed to Cooperate with Two Inspections

6. PCAOB rules provide that "every associated person of a registered public accounting firm, shall cooperate with the Board in the performance of any Board inspection."⁷ "Implicit in this cooperation requirement is that auditors provide accurate and truthful information" to the PCAOB's inspectors.⁸ In violation of that cooperation obligation, Maughan

⁵ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*; PCAOB Rule 3500T, *Interim Ethics and Independence Standards*.

⁶ All references to PCAOB rules and standards in this Order are to the versions of those rules and standards, and to their organization and numbering, in effect at the time of the conduct.

⁷ PCAOB Rule 4006, *Duty to Cooperate With Inspectors*.

⁸ *Kabani & Co., Inc.*, Rel. No. 34-80201, 2017 WL 947229, at *12 (SEC Mar. 10, 2017), petition for review denied, *Kabani & Co., Inc. v. SEC*, 733 F. App'x 918 (9th Cir. 2018); see also PCAOB Staff Audit Practice Alert No. 14, at 3 (Apr. 21, 2016) ("This duty to cooperate includes an obligation not to provide improperly altered documents or misleading information in connection with the Board's inspection processes." (citations omitted)).

provided false and misleading information to the Inspection Staff in connection with two inspections.

a. The 2020 Inspection

7. Inspection Staff notified Maughan in December 2019 that the PCAOB would conduct an inspection of MaughanSullivan. Maughan knew that Inspection Staff would almost certainly review the 2018 audit of a particular Firm issuer client (“Issuer A”), as that audit was the only issuer audit for which MaughanSullivan had issued an opinion during the inspection period of January 2019 through January 2020 (“Issuer A 2018 Audit”).

8. In late January 2020, Maughan created three work papers for the Issuer A 2018 Audit. Those work papers included two “audit programs”—work papers with pre-populated text prepared and published by a third-party vendor. The pre-populated text in each audit program listed audit steps for completion in a particular audit area, including procedures that should be performed or considered. Maughan prepared the audit programs by inserting dates and initials alongside these audit step descriptions indicating when and by whom each step had been completed, and—for certain audit steps—by also adding descriptions of related procedures and references to relevant work papers.

9. Maughan created those three work papers more than eight months after the May 16, 2019 documentation completion date for the Issuer A 2018 Audit—that is, the date by which the Firm’s complete and final set of audit documentation for that audit was required to be assembled,⁹ and the date after which deletions—as well as additions to the work papers without disclosures of when, why, and by whom the additions were made—were not permitted.¹⁰

10. Moreover, Maughan backdated signoffs on the two audit programs. Each audit program contained an audit step, under the header “Conclusion,” reflecting a determination by the auditor that the “procedures performed, evidence obtained, and conclusions reached” in the corresponding audit area “are adequately documented.” Maughan inserted a “2/2/19”

⁹ See AS 1215.15, *Audit Documentation* (“A complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (*documentation completion date*).”) (italics in original).

¹⁰ See *id.* at .16 (“Circumstances may require additions to audit documentation after the report release date. Audit documentation must not be deleted or discarded after the documentation completion date, however, information may be added. Any documentation added must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.”).

signoff date alongside this documentation conclusion in one audit program and a “3/8/19” signoff date alongside the equivalent conclusion in the other. Yet these audit programs—each of which was itself an important part of the Firm’s audit documentation in the corresponding audit area—did not exist as of those February or March 2019 dates.

11. Maughan backdated those signoffs in both audit programs to give the false impression that they had been prepared, and that the signoffs had been applied, in early 2019 during the audit rather than in January 2020 in anticipation of the 2020 Inspection.

12. In or around early February 2020, Maughan made available to the Inspection Staff, in connection with the 2020 Inspection, the Firm’s audit documentation for the Issuer A 2018 Audit. That audit documentation included the three newly created work papers without any documentation of when, why, and by whom they had been added.

13. Maughan engaged in verbal and written communications on multiple occasions with the Inspection Staff during the 2020 Inspection. Certain of those communications related specifically to audit documentation. In none of those communications did Maughan disclose that he had created or backdated three work papers in late January 2020.

14. Accordingly, Maughan violated PCAOB Rule 4006.

b. The 2023 Inspection

15. Inspection Staff notified Maughan in December 2022 that the PCAOB would shortly conduct another inspection of MaughanSullivan. Starting on the day of that notification, Maughan created or modified several audit work papers for recent audits that the Firm had performed.

16. In March 2023, after Inspection Staff identified for Maughan the four Firm audits selected for review (the “2023 Inspection Audits”), Maughan continued to modify, and to add new work papers to, the audit documentation for those audits. For example, in several schedules obtained from issuer management, Maughan added tick marks and comment boxes that described audit procedures MaughanSullivan had purportedly performed and the results of those procedures. Maughan then converted the work papers for each of those audits from their native electronic format to PDF copies before making them available to the Inspection Staff.

17. The work papers Maughan created or altered after learning of the 2023 Inspection also included several audit programs in which Maughan inserted backdated signoffs. Those audit programs—like the audit programs in the Issuer A 2018 Audit—each set out a conclusion by the auditor that the “procedures performed, evidence obtained, and conclusions

reached” in the corresponding audit area “are adequately documented.” Maughan inserted signoff dates between January and July 2022 alongside the documentation conclusions in these audit programs—dates that preceded the audit report dates for the 2023 Inspection Audits. Maughan backdated the signoffs in those audit programs to give the false impression that they had been prepared and reviewed, and that the signoffs had been applied, in January-July 2022 during the audits themselves, rather than in December 2022-March 2023 in anticipation of the 2023 Inspection.

18. Furthermore, for each of three 2023 Inspection Audits, Maughan created an index of engagement quality review signoffs (“EQR Signoff Index”) during the 2023 Inspection. The EQR Signoff Index listed by title those work papers purportedly reviewed by the engagement quality reviewer and, alongside each, the date on which the engagement quality reviewer had reviewed and signed off on that work paper.

19. The EQR Signoff Indexes for the three audits listed signoff dates from March, April, and August 2022. However, several of the work papers listed in those indexes did not exist until—and were created by Maughan—in or after December 2022, when he learned of the 2023 Inspection. Maughan backdated the signoffs in the three EQR Signoff Indexes, and made them available to the Inspection Staff, to give the false impression that the work papers they referenced had been prepared and reviewed during the audits themselves, rather than in anticipation of the 2023 Inspection.

20. As he did during the 2020 Inspection, Maughan communicated verbally and in writing on multiple occasions with Inspection Staff during the 2023 Inspection, including about audit documentation. Maughan never disclosed in any of those communications that he had created, modified, or backdated multiple work papers made available to the Inspection Staff.

21. Accordingly, Maughan violated PCAOB Rule 4006.

ii. Maughan Failed to Cooperate with an Enforcement Investigation

22. The Act authorizes the Board to sanction a registered public accounting firm or any associated person who “refuses to testify, produce documents, or otherwise cooperate with the Board in connection with an investigation.”¹¹ PCAOB rules implement that authority and state that the Board may institute a disciplinary proceeding if it appears that an associated person “may have failed to comply with an accounting board demand,” “may have knowingly made any false material declaration or made or used any other information, including any book, paper, document, record, recording, or other material, knowing the same to contain any

¹¹ Section 105(b)(3)(A) of the Act, 15 U.S.C. § 7215(b)(3)(A).

false material declaration,” “may have abused the Board’s processes for the purpose of obstructing an investigation,” or “may otherwise have failed to cooperate in connection with an investigation.”¹²

23. Following the 2020 Inspection, Enforcement Staff opened an informal inquiry concerning MaughanSullivan. After receiving a request in 2022 from Enforcement Staff for “the complete and final set of audit documentation assembled for retention” pursuant to AS 1215 for each of three audits of Issuer A, Maughan created or modified most of the Firm’s work papers for one of those audits: the 2019 audit of Issuer A (the “Issuer A 2019 Audit”). Maughan made those alterations more than two years after the May 2020 documentation completion date for that audit. Maughan then provided Enforcement Staff with three sets of work papers, including the set for the Issuer A 2019 Audit that contained improper alterations.

24. In July 2023, after the Board had issued an Order of Formal Investigation concerning MaughanSullivan, Enforcement Staff sent Maughan an ABD calling for the “complete and final set of audit documentation assembled for retention” pursuant to AS 1215 for each of twelve Firm audits. Those twelve audits included the five for which Maughan previously had made work papers available to Inspection Staff (the “2020/2023 Inspection Audits”) and the 2017-2019 audits of Issuer A for which Maughan previously had provided work papers to Enforcement Staff.

25. Maughan provided work papers to Enforcement Staff for those twelve audits in response to the ABD.

26. The work papers Maughan provided to Enforcement Staff in response to the ABDs included improper alterations. For the five 2020/2023 Inspection Audits, the work papers provided by Maughan to Enforcement Staff contained substantially the same improper alterations as when Maughan had made them available to Inspection Staff. For the Issuer A 2019 Audit, Maughan re-produced the Issuer A 2019 Audit work papers with the same improper alterations as the work papers produced to Enforcement Staff in 2022.

27. In addition, for two other audits—one of which was the 2020 audit of Issuer A—the sets of audit documentation Maughan provided to Enforcement Staff included work papers that Maughan created or modified after receiving the July 2023 ABD. For example, Maughan created several leadsheets in various audit areas that set out client account balances and referenced related audit procedures.

¹² PCAOB Rule 5110, *Noncooperation with an Investigation*.

28. The work papers Maughan provided to Enforcement Staff in response to the ABDs also included three types of backdated signoffs. First, the audit programs and EQR Signoff Indexes for the five 2020/2023 Inspection Audits contained the same backdated signoffs as when they had been made available to Inspection Staff. Second, the audit programs in three other sets of audit work papers provided to Enforcement Staff contained similarly backdated signoffs. Specifically, alongside statements that the “procedures performed, evidence obtained, and conclusions reached” in various audit areas were “adequately documented,” Maughan inserted dates that preceded the dates on which he had created both the audit programs themselves and work papers they referenced. Third, EQR Signoff Indexes in the work papers for two audits contained signoff dates indicating the review and signoff of several work papers in March and April 2021, even though several of those work papers did not exist until nearly two years later, when Maughan created them.

29. Maughan did not disclose the alterations and backdating to Enforcement Staff.

30. Accordingly, Maughan failed to cooperate with an investigation under PCAOB Rule 5110.

iii. Maughan Violated PCAOB Audit Documentation Requirements

31. In the course of the above conduct, Maughan violated several requirements in AS 1215. Specifically, in altering the eight sets of work papers that were later made available to Inspection Staff and/or Enforcement Staff, Maughan added audit documentation after the documentation completion dates without disclosing, as required, when, by whom, and why the additions were made.¹³

32. Moreover, the nature and scope of Maughan’s alterations to at least seven of the eight sets of work papers he made available to PCAOB staff showed that Maughan had not assembled final sets of audit documentation for those audits. Maughan accordingly violated the requirement to assemble complete and final sets of audit documentation in those audits by the applicable documentation completion date.¹⁴

¹³ AS 1215.16 (stating that “any documentation added” after the documentation completion date “must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.”).

¹⁴ *Id.* at .15 (“A complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (*documentation completion date*).”) (italics in original).

33. In addition, Maughan backdated signoffs on audit documentation in all eight sets of work papers that he improperly altered and then provided to Inspection and Enforcement Staff. AS 1215 requires audit documentation to contain sufficient information to enable an understanding of the “timing” of the procedures performed, evidence obtained, and conclusions reached; the date the work was completed; and the date that work was reviewed.¹⁵ Maughan prepared two kinds of work papers that contained backdated signoff dates: Microsoft Word audit programs that contained signoff dates indicating the review and assessment of audit documentation that did not exist until months or years after those dates; and one-page EQR Signoff Indexes that listed engagement quality review signoff dates that were months or years earlier than the actual dates on which the documentation was prepared and thus available for review.

34. Accordingly, Maughan violated AS 1215.

iv. Maughan Violated PCAOB Ethics Requirements

35. PCAOB ethics standards require that, in the performance of any professional service, an associated person maintain integrity and “not knowingly misrepresent facts.”¹⁶

36. Maughan violated those ethical obligations by altering and backdating Firm audit documentation for eight audits with the purpose of misrepresenting to PCAOB staff both the nature of the audits and the condition of the Firm’s audit documentation. Specifically, Maughan altered and backdated that audit documentation in order to make the audits seem to PCAOB staff as if they involved more extensive procedures than reflected in documentation prepared during the audits, as well as to make the altered documentation appear to PCAOB staff as if it had been prepared before applicable documentation completion dates rather than several months or years later.

37. As a result, Maughan violated ET § 102.

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

¹⁵ *Id.* at .06.

¹⁶ ET § 102.01, *Integrity and Objectivity* (“In the performance of any professional service, a member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.”).

determines it appropriate to impose the sanctions agreed to in Respondent's Offer. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(b)(3)(A)(iii) and (c)(4)(E) of the Act and PCAOB Rule 5300(a)(5) and (b)(1), Heber Maughan is hereby censured.
- B. Pursuant to Section 105(b)(3)(A)(i) and (c)(4)(B) of the Act and PCAOB Rule 5300(a)(2) and (b)(1), Heber Maughan 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);¹⁷
- C. Pursuant to Section 105(b)(3)(A)(iii) and (c)(4)(D) of the Act and PCAOB Rule 5300(a)(4) and (b)(1), a civil money penalty in the amount of \$10,000 is imposed on Heber Maughan.
 1. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act.
 2. Heber Maughan shall pay this civil money penalty within ten days of the issuance of this Order by: (1) wire transfer in accordance with instructions provided by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies Maughan as the respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public

¹⁷ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Maughan. 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."

Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.

3. If timely payment is not made, interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-Order interest.
4. By consenting to this Order, Heber Maughan acknowledges that a failure to pay the civil money penalty described above may alone be grounds to deny any request for leave to petition to terminate a bar pursuant to PCAOB Rule 5302(c).
5. Heber Maughan acknowledges that the determination to accept Respondent's offer of a civil money penalty of \$10,000 is contingent upon the accuracy and completeness of Maughan's financial information provided to the Division of Enforcement and Investigations (the "Division"). Maughan also acknowledges that, if at any time following this settlement the Division obtains information indicating that any financial information provided by Maughan—including, but not limited to, any information concerning assets, income, liabilities, or net worth—was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such information was provided, then at any time following entry of this Order (1) the Board may institute a disciplinary proceeding for noncooperation with an investigation under PCAOB Rule 5110 and/or (2) the Division may petition the Board to (a) reopen this matter to consider whether Maughan provided accurate and complete financial information at the time such information was provided to the Division; and (b) seek an order directing payment of the maximum civil money penalty allowable under the law or any lesser amount determined to be appropriate. No other issue shall be considered in connection with this petition other than whether the financial information provided by Maughan was fraudulent, misleading, inaccurate, or incomplete in any material respect; and, if so, whether a civil money penalty should be ordered up to the maximum civil money penalty allowable under the law. Maughan may not, by way of defense to any such petition: (i) contest the findings in this Order; (ii) assert that payment of a civil money penalty should not be ordered; (iii) contend that the amount of the civil money penalty to be ordered should be less than \$75,000, which is specified herein as the amount the penalty would have been, based on Maughan's conduct and without consideration of Maughan's financial resources; or

(iv) put forward any other contention or assert any defense to liability or remedy, including, but not limited to, any based on statute of limitations or any other time-related defense, other than to contend (a) that Maughan did not provide financial information that was fraudulent, misleading, inaccurate, or incomplete in any material respect, or (b) that a civil money penalty should not be ordered in an amount higher than \$75,000.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

February 11, 2025