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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Natalie Murphy, CPA,

Respondent.

PCAOB Release No. 105-2025-006

February 25, 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 Natalie Murphy, CPA (“Murphy” or “Respondent”);
- (2) barring Murphy from being associated with a registered public accounting firm;¹
- (3) imposing a \$50,000 civil money penalty on Murphy; and
- (4) requiring Murphy to complete 40 hours of continuing professional education (“CPE”), in addition to any CPE required in connection with any professional license she holds, before filing any petition for Board consent to associate with a registered public accounting firm.

The Board is imposing these sanctions on the basis of its findings that Murphy: (1) failed to cooperate with the PCAOB’s 2022 inspection of Heaton & Company, PLLC (d/b/a Pinnacle Accountancy Group of Utah) (“Heaton & Co.” or the “Firm”) by providing misleading information to PCAOB inspectors in connection with two issuer audits; (2) failed to adequately document work paper additions and modifications made after the documentation completion date for those two issuer audits; and (3) failed to timely assemble for retention a complete and final set of audit documentation in a total of five issuer audits.

¹ Murphy may file a petition for Board consent to associate with a registered public accounting firm after five years from the date of this Order.

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) against Respondent.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent 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. **Natalie Murphy, CPA** is, and at all relevant times was, a certified public accountant licensed by the state of Utah (license no. 7388678-2601). At all relevant times, Murphy was a partner at Heaton & Co. and served as the engagement partner for each of the Firm’s audits of the financial statements of the issuers discussed below. Murphy 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).

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 conditions 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: (1) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

B. Relevant Entity

2. **Heaton & Company, PLLC (d/b/a Pinnacle Accountancy Group of Utah)** is a public accounting firm located in Farmington, Utah, and is licensed to practice public accounting by the Utah Board of Accountancy (license no. 9284621-2603) and certain other states. At all relevant times, Heaton & Co. was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

C. Issuers

3. **Issuer A** was incorporated in Wyoming and, at all relevant times, had its principal executive office in New York, New York. At all relevant times, Issuer A was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(j)(iii). Issuer A’s public filings disclose that it was a mobile application company. The Firm issued an audit report dated March 31, 2022, on Issuer A’s financial statements that Issuer A included in its Form 10-K filed with the U.S. Securities and Exchange Commission (“Commission”) for the fiscal year ended December 31, 2021 (“Issuer A Audit”).

4. **Issuer B** was incorporated in Colorado and, at all relevant times, had its principal executive office in Huntington Beach, California. At all relevant times, Issuer B was an “issuer” as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(j)(iii). Issuer B’s public filings disclose that it was engaged in the manufacture, distribution, and sale of ready-to-use food. The Firm issued an audit report dated July 27, 2021, on Issuer B’s financial statements that Issuer B included in its Form 10-K filed with the Commission for the fiscal year ended May 31, 2021 (“Issuer B Audit”).

D. Summary

5. This matter involves Respondent’s failure to cooperate with the PCAOB’s 2022 inspection of the Firm, and Respondent’s repeated violations of PCAOB audit documentation standards.

6. First, after being notified by the staff of PCAOB’s Division of Registration and Inspections (the “Inspection Staff”) that it had selected the Issuer A Audit and the Issuer B Audit for review in connection with the 2022 inspection of the Firm, Murphy misrepresented the then-current state of the work papers for the two audits. Murphy told the Inspection Staff that all documentation had been completed and needed to be compiled, when in fact, the documentation had not been completed. Second, after the Inspection Staff notified the Firm of the selection of the Issuer A Audit for review, Murphy performed additional audit work, even while representing to the Inspection Staff that all audit procedures for the Issuer A Audit had been completed prior to the audit report date.

7. Murphy also failed to comply with PCAOB audit documentation standards by failing to adequately document modifications and additions made to the Issuer A Audit and Issuer B Audit work papers after the documentation completion dates for those audits. Further, Murphy failed to timely assemble for retention a complete and final set of audit documentation for the Issuer A Audit and Issuer B Audit, as well as for three additional issuer audits discussed below.

8. Accordingly, and as described below, Respondent violated PCAOB Rule 4006, *Duty to Cooperate With Inspectors*, and AS 1215, *Audit Documentation*.

E. Murphy Violated PCAOB Rules and Standards

i. Relevant Rules and Standards

9. PCAOB Rule 4006 requires that “[e]very registered public accounting firm, and every associated person of a registered public accounting firm . . . cooperate with the Board in the performance of any Board inspection.”⁴ “Implicit in this cooperation requirement is that auditors provide accurate and truthful information.”⁵

10. PCAOB rules also require that associated persons of registered public accounting firms comply with applicable auditing and related professional practice standards.⁶ The PCAOB’s audit documentation standard explains that: “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*). . . . 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.”⁷

⁴ 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 discussed herein.

⁵ *Kabani & Co., Inc.*, Rel. No. 34-80201, 2017 WL 947229, at *12 (SEC Mar. 10, 2017) (citations omitted), *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, *Improper Alteration of Audit Documentation*, 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)).

⁶ *See* PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200, *Auditing Standards*.

⁷ AS 1215.15-.16.

11. PCAOB standards require that audit documentation “contain sufficient information to enable an experienced auditor, having no previous connection with the engagement,” to understand, among other things, the timing of the procedures performed, evidence obtained, and conclusions reached, and to determine not just who performed and reviewed the work but also “the date such work was completed” and “the date of such review.”⁸

ii. Murphy Failed to Cooperate with the PCAOB’s 2022 Inspection and Violated PCAOB Audit Documentation Standards

a. Murphy Misrepresented the State of the Issuer A Audit and Issuer B Audit Work Papers and Failed to Comply with PCAOB Audit Documentation Standards

12. As the engagement partner for the Issuer A Audit and the Issuer B Audit, Murphy authorized the issuance of the Firm’s audit reports for the two issuers. The documentation completion date for the Issuer A Audit was no later than May 15, 2022 (45 days after the release of the Firm’s report). The documentation completion date for the Issuer B Audit was no later than September 10, 2021. Consequently, Murphy was required to assemble a complete and final set of audit documentation for the two audits by May 15, 2022, and September 10, 2021, respectively.

13. The Inspection Staff notified the Firm on August 5, 2022, that the Issuer A Audit and the Issuer B Audit had been selected for inspection and requested that the Firm provide the work papers for those two audits by August 15, 2022. After this notification, but before the August 15, 2022 deadline, Murphy informed the Inspection Staff that she had failed to assemble complete and final sets of audit work papers for these two audits.⁹ Murphy, however, misrepresented the state of the work papers. Murphy told the Inspection Staff that the Issuer A Audit and the Issuer B Audit work papers were located on various local hard drives of audit staff, and she needed time to compile the work papers. However, at the time, Murphy was aware that much of the work paper documentation had not yet been created or completed.

14. In the weeks leading up to the start of inspection fieldwork for the Issuer A Audit and the Issuer B Audit, Murphy not only compiled but also created and modified work papers for the two audits. Shortly thereafter, the newly created and modified work papers were provided to the Inspection Staff.

⁸ See *id.* at .06.

⁹ See *id.* at .15.

15. Although Murphy generally disclosed in the work papers provided to the Inspection Staff, and in a subsequent discussion with the Inspection Staff, that she had created and modified work papers after the documentation completion date for the Issuer A Audit and the Issuer B Audit, she failed to adequately document those modifications and additions.

16. The work papers provided to the Inspection Staff for the Issuer A Audit and the Issuer B Audit each included a memorandum (“45-Day Memo”) created by Murphy and dated July 30, 2022, and August 26, 2022, respectively. Murphy stated in each 45-Day Memo that the audit was properly and thoroughly performed prior to the audit report date but that, for various reasons, modifications and additions to the work papers were required after the documentation completion date.

17. The Issuer A 45-Day Memo included a list of work papers that were modified after the documentation completion date and stated that no changes were made to any work papers other than the specified work papers. However, Murphy did not update the listing of modified work papers to include those she modified in August 2022, after the date of the Issuer A 45-Day Memo. The Issuer B 45-Day Memo did not include a list of work papers that had been modified. Nor did the Firm create any other record to adequately document the additions and modifications to the Issuer A Audit and Issuer B Audit work papers. Murphy, therefore, failed to adequately document the additions and modifications made to the work papers for both audits.¹⁰

18. Accordingly, Murphy violated PCAOB Rule 4006 and AS 1215.

b. Murphy Misrepresented the Timing of Audit Procedures for the Issuer A Audit

19. On August 26, 2022, ten days before the start of inspection fieldwork, Murphy sent an email to Issuer A’s CFO stating that the Firm was performing an “internal inspection,” and needed responses to questions concerning Issuer A’s capitalization of intellectual property.

20. Issuer A’s CFO provided Murphy with additional audit support within days of her email, including invoices and other documentation related to Issuer A’s capitalization of intellectual property costs in 2021. Murphy then documented in the Firm’s Issuer A Audit work papers that, as part of testing Issuer A’s intellectual property, the engagement team had “[r]eviewed and documented the invoices.” Murphy failed to document that, in violation of PCAOB standards, the testing was performed in August 2022 and not at the time of the audit.¹¹

¹⁰ See AS 1215.16.

¹¹ See AS 1215.06, .15-.16.

21. Murphy provided the Inspection Staff with the Issuer A Audit work papers without disclosing the timing of the intellectual property testing procedures. Murphy also represented to the Inspection Staff, in written responses to comment forms, that all work paper documentation added after the documentation completion date for the Issuer A Audit was for audit procedures performed prior to the audit report date.

22. Accordingly, Murphy violated PCAOB Rule 4006 and AS 1215.

c. Murphy Failed to Timely Assemble Audit Documentation for Three Additional Audits

23. Murphy also failed to timely assemble complete and final sets of audit documentation for three other audits on which she served as the engagement partner. In connection with the investigation of this matter, the staff of PCAOB's Division of Enforcement and Investigations ("Enforcement Staff") requested the work papers for three issuer audits in addition to the Issuer A Audit and the Issuer B Audit (the "Additional Audits").

24. In response to that request, Murphy attempted to assemble a complete and final set of audit documentation for one of the Additional Audits. On that audit, over 90% of the work papers were created or modified in response to the request from the Enforcement Staff, almost two years after the documentation completion date. Murphy made no attempt to assemble a complete and final set of audit documentation for the other two Additional Audits, both of which contained numerous incomplete work papers and one of which contained work papers related to a different issuer.

25. Accordingly, Murphy violated AS 1215.

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), Natalie Murphy is hereby censured.
- B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Natalie Murphy 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).¹²
- C. Pursuant to PCAOB Rule 5302(b), Natalie Murphy may file a petition for Board consent to associate with a registered public accounting firm after five years from the date of this Order.
- D. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$50,000 is imposed upon Natalie Murphy.
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. Respondent shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (1) wire transfer pursuant to 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 Natalie Murphy 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 the Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public 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. Respondent understands that her failure to pay the civil money penalty described above may alone be grounds to deny any petition, pursuant to

¹² As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Murphy. 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.”

PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.

- E. Pursuant to Section 105(c)(4)(F) of the Act and PCAOB Rule 5300(a)(6), Natalie Murphy is required to complete, prior to filing any petition to terminate her bar and for Board consent to reassociate with a registered public accounting firm, 40 hours of continuing professional education and training relating to PCAOB auditing standards (such hours shall be in addition to, and shall not be counted in, the continuing education she is required to obtain in connection with any professional license).

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

February 25, 2025