

**Order Instituting Disciplinary Proceedings,  
Making Findings, and Imposing Sanctions**

*In the Matter of Heaton & Company, PLLC, and  
Kristofer Heaton, CPA,*

Respondents.

PCAOB Release No. 105-2025-021

June 12, 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 Heaton & Company, PLLC (d/b/a Pinnacle Accountancy Group of Utah) (“Heaton & Co.” or the “Firm”), and Kristofer Heaton, CPA (“Heaton”) (collectively “Respondents”);
- (2) revoking the Firm’s registration and barring Heaton from being associated with a registered public accounting firm;<sup>1</sup>
- (3) imposing a \$35,000 civil money penalty on the Firm and a \$25,000 civil money penalty on Heaton;
- (4) requiring the Firm, in the event it submits any future registration application, to undertake certain remedial measures before such submission, as described in Section IV of this Order; and
- (5) requiring Heaton to complete 40 hours of continuing professional education (“CPE”), in addition to any CPE required in connection with any professional license he holds, before filing any petition for Board consent to associate with a registered public accounting firm.

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<sup>1</sup> The Firm may reapply for registration after two years from the date of this Order. Heaton may file a petition for Board consent to associate with a registered public accounting firm after two years from the date of this Order.

The Board is imposing these sanctions on the basis of its findings that: (a) the Firm failed to timely assemble for retention a complete and final set of audit documentation in connection with the audits of five issuers, (b) Heaton failed to adequately perform an engagement quality review (“EQR”) for five issuer audits, (c) the Firm violated PCAOB quality control standards, and (d) Heaton directly and substantially contributed to the Firm’s violations of PCAOB quality control standards.

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 Respondents.

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents submitted Offers 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 Respondents and the subject matter of these proceedings, which is admitted, Respondents consent to the entry of this Order as set forth below.<sup>2</sup>

III.

On the basis of Respondents’ Offers, the Board finds that:<sup>3</sup>

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<sup>2</sup> The findings herein are made pursuant to Respondents’ Offers and are not binding on any other person or entity in this or any other proceeding.

<sup>3</sup> The Board finds that each 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.

## A. Respondents

1. **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, the Firm was registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

2. **Kristofer Heaton, CPA** is, and at all relevant times was, a certified public accountant licensed by the state of Utah (license no. 7374393-2601). At all relevant times, Heaton was a partner and the head of quality control at the Firm and served as the EQR partner for each of the Firm's audits of the financial statements of the issuers discussed below. Heaton 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).

## B. Relevant Issuers and Individual

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(i)(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(i)(iii). Issuer B's public filings disclose that 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").

5. **Natalie Murphy, CPA ("Murphy")** 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 described above and below.<sup>4</sup>

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<sup>4</sup> See Natalie Murphy, CPA, [PCAOB Rel. No. 105-2025-006](#) (Feb. 25, 2025).

## C. Summary

6. This matter involves the Firm's and Heaton's repeated violations of PCAOB rules and standards.<sup>5</sup> First, in 2021 and 2022, the Firm violated PCAOB audit documentation standards because it failed to timely assemble for retention a complete and final set of audit documentation for five issuer audits, including the Issuer A Audit and Issuer B Audit.

7. Second, Heaton, as the EQR partner on all five audits, failed to perform his review in accordance with PCAOB standards. Specifically, Heaton provided concurring approval of issuance of the audit report in each of the five audits despite the limited amount of audit documentation that existed at the time he performed his reviews. As a result of that lack of documentation, Heaton did not, as required by PCAOB standards, adequately evaluate in each of the five engagements whether the engagement documentation (a) indicated that the engagement team responded appropriately to significant risks and (b) supported the engagement team's conclusions on matters Heaton was required to review.

8. Third, the Firm failed to establish and implement adequate policies and procedures to provide reasonable assurance that engagement personnel complied with audit documentation standards, and the Firm further failed to perform any monitoring procedures to determine whether its policies and procedures were suitably designed and effectively applied. Finally, Heaton, as head of quality control at the Firm, directly and substantially contributed to those quality control violations.

9. Accordingly, and as described below, the Firm violated AS 1215, *Audit Documentation*, 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*; and Heaton violated AS 1220, *Engagement Quality Review*, and PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

## D. Respondents Violated PCAOB Rules and Standards

10. PCAOB rules require that registered public accounting firms and their associated persons comply with applicable auditing and related professional practice standards.<sup>6</sup> Among

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<sup>5</sup> 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.

<sup>6</sup> See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

other requirements, registered firms and their associated persons must comply with auditing and quality control standards adopted by the Board.<sup>7</sup>

**i. The Firm Violated AS 1215 by Failing to Assemble for Retention a Complete and Final Set of Audit Documentation for Five Audits**

11. The PCAOB's audit documentation standard requires an auditor to prepare and retain audit documentation in connection with audit engagements.<sup>8</sup> The documentation standard specifically provides 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."<sup>9</sup>

12. 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, the Firm 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 Firm was notified by staff of the PCAOB's Division of Registration and Inspections (the "Inspection Staff") on August 5, 2022, that the Issuer A Audit and the Issuer B Audit had been selected for inspection. After this notification, but prior to the commencement of inspection fieldwork, the Firm informed the Inspection Staff that it had failed to assemble complete and final sets of audit work papers for these two audits.

14. Murphy, the engagement partner on both audits, told the Inspection Staff that the work papers were located on various local hard drives of audit staff, and she needed time to compile the work papers. Over the next few weeks, however, Murphy not only compiled but also created and modified work paper documentation for the Issuer A Audit and the Issuer B Audit.

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<sup>7</sup> See PCAOB Rule 3200, *Auditing Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*.

<sup>8</sup> See AS 1215.01.

<sup>9</sup> *Id.* at .15-.16.

15. Shortly thereafter, the Firm provided the Inspection Staff with work papers for the Issuer A Audit and the Issuer B Audit. Although the Firm generally disclosed in the work papers provided to the Inspection Staff that work papers had been created and modified after the respective documentation completion dates for the Issuer A Audit and Issuer B Audit, those additions and modifications were not adequately documented.

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, for various reasons, modifications and additions to the work papers were required to be made after the documentation completion date.

17. The Issuer A 45-Day Memo included a list of work papers that were modified as of July 30, 2022, 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. The Firm, therefore, failed to adequately document the additions and modifications made to the work papers for both audits.<sup>10</sup>

18. Furthermore, the Firm failed on three other issuer audits (the “Additional Audits”), the reports for which were issued in 2021 and 2022, to assemble a complete and final set of audit documentation by the documentation completion date. The PCAOB’s Division of Enforcement and Investigations requested the work papers for the Additional Audits in connection with the investigation of this matter. In response to that request, Murphy attempted to assemble a complete and final set of audit documentation for one of the Additional Audits. In doing so, Murphy created and modified over 90% of the work papers for that audit 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 several work papers related to a different client of the Firm.

19. Accordingly, the Firm repeatedly violated AS 1215.

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<sup>10</sup> See AS 1215.16.

**ii. Heaton Violated AS 1220 by Failing to Appropriately Evaluate Audit Documentation on Five Audits**

20. Under PCAOB standards, an EQR is required for all issuer audit engagements,<sup>11</sup> and the engagement quality reviewer is required to make certain evaluations before providing his or her concurring approval of issuance of an audit report.<sup>12</sup> Specifically, the engagement quality reviewer should evaluate the engagement team's assessment of, and audit responses to, significant risks identified by the engagement team, including fraud risks.<sup>13</sup> The engagement quality reviewer should also evaluate whether the engagement documentation that he or she reviewed "[i]ndicates that the engagement team responded appropriately to significant risks" and "[s]upports the conclusions reached by the engagement team with respect to the matters reviewed."<sup>14</sup>

21. Heaton was the EQR partner on the Issuer A Audit, the Issuer B Audit, and the Additional Audits described above.

22. At the time that Heaton provided his concurring approval of issuance in each of the five audits, certain audit documentation that Heaton was required to review in connection with his engagement quality review either did not exist or was insufficient to indicate that the engagement team had responded appropriately to significant risks or supported the conclusions reached by the engagement team. Nonetheless, Heaton provided his concurring approval of issuance for each of the five audits, in violation of PCAOB standards.

23. Accordingly, Heaton repeatedly violated AS 1220.

**iii. The Firm's System of Quality Control Failed to Provide Reasonable Assurance with Respect to the Assembly of Audit Documentation for Retention**

24. PCAOB quality control standards require that a registered firm have a system of quality control for its accounting and auditing practice.<sup>15</sup> Those standards require firms to establish policies and procedures sufficient to provide it with "reasonable assurance that the

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<sup>11</sup> See AS 1220.01.

<sup>12</sup> See *id.* at .09-.12.

<sup>13</sup> See *id.* at .10b.

<sup>14</sup> *Id.* at .11.

<sup>15</sup> See QC § 20.01.

work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality."<sup>16</sup>

25. PCAOB quality control standards also require firms to establish monitoring policies and procedures "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."<sup>17</sup> PCAOB standards explain that procedures that provide the firm with a means of identifying and communicating circumstances that may necessitate changes to or the need to improve compliance with the firm's policies and procedures contribute to the monitoring element.<sup>18</sup>

26. The Firm failed to establish and implement adequate policies and procedures that provided reasonable assurance it would comply with the audit documentation requirements in AS 1215. Although the Firm had a written policy that required documentation for issuer audits to be assembled for retention within 45 days of the release of an audit report, the Firm failed to develop sufficient procedures to implement that policy, as illustrated by the Firm's failure to timely assemble complete and final sets of audit documentation for five audits.

27. The Firm's monitoring procedures were also severely deficient. In fact, the Firm had not conducted any internal inspections of their audits since 2018, though it was peer-reviewed twice on non-PCAOB audits and was inspected by the PCAOB three times. Furthermore, in an internal inspection conducted in 2018, one of the findings was that "[i]n the audits inspected, the audit files were not archived using the functionality of the Firm audit software and the occasional modification date was noted after 45 days of report issuance." The Firm, however, failed to take sufficient actions to remediate the identified quality control finding. Instead, the Firm continued to rely upon the individual engagement partners to timely assemble audit documentation for retention, without any oversight or tracking of those partners' compliance.

28. Accordingly, the Firm violated QC § 20 and QC § 30.

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<sup>16</sup> *Id.* at .17.

<sup>17</sup> *Id.* at .20; *see also* QC § 30.02.

<sup>18</sup> *See* QC § 30.03.



**iv. Heaton Directly and Substantially Contributed to the Firm's Quality Control Violations**

29. PCAOB rules provide that “[a] person associated with a registered public accounting firm shall not take or omit to take an action knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation by that registered public accounting firm of the Act, the Rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards.”<sup>19</sup>

30. At all relevant times, Heaton was the Firm's head of quality control and responsible for developing and maintaining quality control policies and procedures applicable to the Firm's auditing practice.

31. Despite those responsibilities, Heaton failed to ensure that the Firm would design, implement, and maintain adequate policies and procedures to provide the Firm with reasonable assurance that its engagement personnel would comply with AS 1215. Further, Heaton was aware of the 2018 internal inspection finding discussed above but failed to take sufficient steps to address and remedy that deficiency.

32. As a result, Heaton knew, or was reckless in not knowing, that his above-described acts and omissions would directly and substantially contribute to the Firm's violations of QC § 20 and QC § 30.

33. Accordingly, Heaton violated 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), Heaton & Company, PLLC, and Kristofer Heaton are hereby censured.

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<sup>19</sup> PCAOB Rule 3502.

- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Heaton & Company, PLLC, is revoked.
- C. Pursuant to PCAOB Rules 2101 and 5302(a), after two years from the date of this Order, Heaton & Company, PLLC, may reapply for registration.
- D. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Kristofer Heaton 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).<sup>20</sup>
- E. Pursuant to PCAOB Rule 5302(b), Kristofer Heaton may file a petition for Board consent to associate with a registered public accounting firm after two years from the date of this Order.
- F. Pursuant to Sections 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), civil money penalties are imposed on Respondents in the following amounts: (i) Heaton & Company, PLLC – \$35,000, and (ii) Kristofer Heaton – \$25,000.
  - 1. All funds collected by the Board as a result of the assessment of these civil money penalties will be used in accordance with Section 109(c)(2) of the Act.
  - 2. Respondents shall pay the foregoing civil money penalties 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 the entity or person as a 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

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<sup>20</sup> As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Heaton. 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.”

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. Heaton & Company, PLLC understands that its failure to pay the civil money penalty imposed on it may alone be grounds to deny any application, pursuant to PCAOB Rule 2106, for registration with the Board.
  5. Kristofer Heaton understands that his failure to pay the civil money penalty imposed on him may alone be grounds to deny any petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm.
- G. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), Heaton & Company, PLLC is required:
1. before filing with the Board any future registration application, to (a) establish policies and procedures for the purpose of providing Heaton & Company, PLLC with reasonable assurance of compliance with AS 1215, *Audit Documentation*, applicable to audits and reviews of issuers, brokers, and dealers; (b) establish a policy of ensuring training of personnel, whether internal or external, on an annual or more frequent regular basis, concerning the requirements of AS 1215; and (c) ensure training pursuant to that policy on at least one occasion prior to submission of the registration application; and
  2. to provide with any future registration application a written certification, signed by its CEO or equivalent, of compliance with the above requirements, written evidence of compliance in the form of a narrative, exhibits sufficient to demonstrate compliance, and such additional evidence of and information concerning compliance as the Registration staff of the Division of Registration and Inspections may reasonably request.
- H. Pursuant to Section 105(c)(4)(F) of the Act and PCAOB Rule 5300(a)(6), Kristofer Heaton is required to complete, prior to filing any petition to terminate his 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 professional education he is required to obtain in connection with any professional license).

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

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Phoebe W. Brown  
Secretary

June 12, 2025