

**UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 86034 / June 5, 2019**

**ACCOUNTING AND AUDITING ENFORCEMENT**

**Release No. 4049 / June 5, 2019**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-19194**

**In the Matter of**

**Pinnacle Accountancy Group,  
PLLC  
and Douglas W. Child, CPA,**

**Respondents.**

**ORDER INSTITUTING PUBLIC  
ADMINISTRATIVE AND CEASE-  
AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 4C AND 21C  
OF THE SECURITIES EXCHANGE ACT  
OF 1934 AND RULE 102(e) OF THE  
COMMISSION'S RULES OF PRACTICE,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted against Pinnacle Accountancy Group, PLLC (“Pinnacle” or the “Firm”) and Douglas W. Child, CPA (collectively, “Respondents”) pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and that public administrative proceedings be, and hereby are, instituted against Child pursuant to Exchange Act Section 4C<sup>1</sup> and pursuant to Rule 102(e)(1)(iii) of the Commission’s Rules of Practice.<sup>2</sup>

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<sup>1</sup> Section 4C provides, in relevant part, that:

“The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.”

<sup>2</sup> Rule 102(e)(1)(iii) provides, in pertinent part, that:

“The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided

## **II.**

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

## **III.**

On the basis of this Order and Respondents’ Offer, the Commission finds that:

### **A. SUMMARY**

These proceedings arise out of the failure by Pinnacle to register with the Public Company Accounting Oversight Board (the “PCAOB” or the “Board”), as required by Section 102(a) of the Sarbanes-Oxley Act of 2002 (“SOX”)<sup>3</sup> and Child’s willful aiding and abetting of Pinnacle’s registration violation.

### **B. RESPONDENTS**

1. Pinnacle is a Utah professional corporation and public accounting firm headquartered in Farmington, Utah. The Firm has never been registered with the PCAOB.

2. Child, 59, of East Eden, Utah, is a certified public accountant licensed in Utah since 1986. During the relevant time period, Child was the managing partner at Pinnacle. At all relevant times, Child was also a minority partner at Pritchett, Siler & Hardy, P.C. (“PSH”), a PCAOB-registered public accounting firm, where he served as the engagement partner for PSH’s audits of certain issuers (“Issuers”).

### **C. OTHER RELEVANT ENTITIES**

3. PSH, a Utah professional corporation based in Salt Lake City, Utah, is a public accounting firm that registered with the PCAOB in October 2003. During the relevant time

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and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.”

<sup>3</sup> See also PCAOB Rule 2100(b) which states in pertinent part that each public accounting firm that “plays a substantial role in the preparation or furnishing of an audit report with respect to any issuer” must be registered with the Board.

period, PSH was the principal auditor of the Issuers (the “Audits”) and signed the audit reports with respect to the Audits (the “Audit Reports”). Child served as engagement partner for the Audits.

4. Issuers are companies as defined in Section 2(a)(7) of SOX. The overwhelming majority of Issuers in this matter were penny stock, shell, or blank-check companies.

## D. FACTS

5. Child joined PSH as a minority partner for the purpose of, among other things, serving as the engagement partner on the Audits. From 2015 through early 2018, Pinnacle played a substantial role in the preparation of the Audit Reports at the direction of Child, Pinnacle’s managing partner.<sup>4</sup> During the relevant time period, PSH relied on the material services Pinnacle performed when it issued the Audit Reports.<sup>5</sup> The Audit Reports were filed with the Commission pursuant to Section 15(d) of the Exchange Act.

6. At all times, Pinnacle was not registered with the PCAOB, as required by Section 102(a) of SOX.

## E. VIOLATIONS

7. Section 102(a) of SOX provides in pertinent part that it is unlawful for any person that is not a registered public accounting firm to participate in the preparation or issuance of any audit report with respect to any issuer.<sup>6</sup>

8. Based on the conduct described above, Pinnacle willfully<sup>7</sup> violated Section 102(a) of SOX.

9. Based on the conduct described above, Child willfully aided and abetted and caused the Firm’s violation of Section 102(a) of SOX.

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<sup>4</sup> PCAOB Rule 1001(p)(ii)(1) defines the phrase “play a substantial role in the preparation or furnishing of an audit report” as “perform[ing] material services that a public accounting firm uses or relies on in issuing all or part of its audit report.”

<sup>5</sup> PCAOB Rule 1001(p)(ii)(Note 1) defines the term “material services” as services, “for which the engagement hours or fees constitute 20% or more of the total engagement hours or fees, respectively, provided by the principal auditor in connection with the issuance of all or part of its audit report...”

<sup>6</sup> A violation of SOX or any rule that the PCAOB issues under SOX is treated for all purposes in the same manner as a violation of the Exchange Act, including with respect to penalties. Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7202(b)(1).

<sup>7</sup> “Willfully” as used in this Order means intentionally committing the act that constitutes the violation. There is no requirement that the actor also be aware that he is violating a rule or statute. See Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000); Tager v. SEC, 344 F.2d 5, 8 (2d Cir. 1965).

## **F. FINDINGS**

10. Based on the foregoing, the Commission finds that Pinnacle willfully violated Section 102(a) of SOX and that Child caused the Firm's violation of Section 102(a) of SOX.

11. Based on the foregoing, the Commission finds that Child willfully aided and abetted Pinnacle's violations of Section 102(a) of SOX pursuant to Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

## **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Pinnacle and Child shall cease and desist from committing or causing any violations and any future violations of Section 102(a) of SOX.

B. Child is denied the privilege of appearing or practicing before the Commission as an accountant.

C. After two years from the date of this order, Child may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission (other than as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Exchange Act). Such an application must satisfy the Commission that Child's work in his practice before the Commission as an accountant will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or
2. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Exchange Act. Such an application will be considered on a facts and circumstances basis with respect to such membership, and the applicant's burden of demonstrating good cause for reinstatement will be particularly high given the role of the audit committee in financial and accounting matters; and/or

3. an independent accountant.

Such an application must satisfy the Commission that:

- (a) Child, or the public accounting firm with which he is associated, is registered with the Board in accordance with SOX, and such registration continues to be effective;
- (b) Child, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent's or the firm's quality control system that would indicate that Child will not receive appropriate supervision;
- (c) Child has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and
- (d) Child acknowledges his responsibility, as long as he appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, engagement quality reviews and quality control standards.

D. The Commission will consider an application by Child to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Child's character, integrity professional conduct, or qualifications to appear or practice before the Commission as an accountant. Whether an application demonstrates good cause will be considered on a facts and circumstances basis with due regard for protecting the integrity of the Commission's processes.

E. Respondents shall pay, on a joint and several basis, a civil money penalty in the amount of \$30,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments: (1) \$15,000.00 shall be due and payable within 10 days of the entry of this Order; and (2) three equal payments each in the amount of \$5,000.00 shall be made within 120, 240, and 360 days of the entry of this Order. Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondents shall contact the staff of the Commission for the amount due. If

Respondents fail to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Pinnacle and Child as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Miami Regional Office, 801 Brickell Avenue, Suite 1800, Miami, FL 33134.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

**V.**

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Child, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Child under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Child of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman  
Acting Secretary