

December 22, 2022

California Air Resources Board  
LCFS Program Planning & Management Branch – Verification

RE: Comments on potential changes to the LCFS program

Christianson PLLP is a full-service public accounting firm located in Willmar, Minnesota that has worked with renewable fuel producers for 30 years, providing technical assistance and professional independent services that promote industry compliance. We currently provide verification or audit services under a number of programs including the Renewable Fuels Standard, California Low Carbon Fuels Standard (LCFS), Oregon Clean Fuels Program, Canada Renewable Fuel Regulations and plan to continue to expand our audit/verification services as new programs are implemented.

### **Firm Rotation**

Our primary reason for comments is to discuss the firm rotation requirement that is in the current regulation. We understand that as of today, there are currently 31 verification body's registered with CARB to provide validation and verification services. In addition, we understand that a number of these firms have a consulting background and are not necessarily held to a professional or other ethical standards board, which is one of the many reasons the firm rotation rule was drafted. In addition to a small number of verifiers available within the LCFS program, there are additional programs being implemented in various jurisdictions requiring the services of these same providers. In addition, the three year high conflict exemptions expire in the current year, which will remove some verifiers from working with their current client base, making this pool of people even smaller. Therefore the importance for familiarity and efficiencies will be crucial.

Through the first 3 years of the LCFS program we have also recognized a number of efficiencies for recurring clients. The first year with a client is by far the most difficult because we are obtaining an understanding of the client, their processes, their systems and equipment and reporting. Even as we move forward into the second engagement with a client, the knowledge and understanding we have gained provides great efficiencies and more focus on detailed procedures. Once we have documented and understand the client's processes, data systems and controls, we are able to focus more on the data and details within the engagement, which often times may uncover additional issues or corrections for the client. Gaining the understanding of the client is very important in designing the procedures and understanding the risks within each individual client and is very valuable knowledge and experience.

We would like to suggest an exception to the firm rotation rule that would allow for these efficiencies to be utilized while still giving CARB the confidence that rotations are happening. There have been numerous previous discussions requesting a lead verifier rotation rather than a firm rotation and we understand there is a risk with this methodology for those that are not held to any professional standards or other oversight other than CARB.

We would like to request an exception be written to allow a lead verifier rotation rather than a firm rotation for Certified Public Accounting firms, or other firms held to a professional standards board with other formal review processes. Currently, certified public accounting firms are not only held to the CARB regulations, but also to the American Institute of Certified Public Accountant's ethical standards and are subject to peer reviews by other CPA firms every 3 years. CPA firms are audited by CARB staff per the current regulation and are also audited by another CPA firm. The peer review of a CPA firm includes reviews of the firms quality assurance programs, staff training requirements, individual engagements reviews and interviews of staff. There is proper oversight of these professional firms both from CARB and from state board required peer reviews to confirm the proper lead rotation has taken place.

We understand the risk of opening up a lead verifier rotation for all, which is why we are asking for an exception for professionally licensed firms. The efficiencies that can be recognized while still maintaining a high level of integrity would be a huge benefit as the program continues to grow while putting the verification burden on a smaller number of firms. It will be critical as the program continues to be able to realize these efficiencies and properly assist with oversight of the program.

## **Required Site Visits**

The current LCFS program also requires site visits with every validation or verification engagement that is completed. Now that we have completed three successful years of the program, we would like to suggest that CARB consider removing the annual site visit requirement. We would suggest that CARB implement a site visit schedule that matches the MRR program which allows for positive verifications with no major process changes to site visit once every three years.

There has been a lot of movement within the industry on new pathways with additional efficiencies and applying for lower CI scores. This has been great for the LCFS program, but also often requires multiple site visits within one year, some times within a couple of months of each other. This requirement is a significant time and cost investment for the verification body and regulated parties that adds little value to the verification process. Now that the program has been functioning for 3 years, we think the reduced site visit schedule would be appropriate and would save the limited number of verification bodies significant time within the April to August timeframe. This time savings would also allow the verification teams to focus more on online staff interviews and detailed data testing.

Christianson PLLP thanks you again for your consideration of our comments and would welcome any further discussion related to the statements made in this letter.

Sincerely,



Kari Battenhoff