

January 30, 2024

California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

RE: Proposed 2024 LCFS Amendments

Dear California Air Resources Board,

As a renewable fuel producer and participant in CARB's LCFS program, my team and I value the partnership and mission shared with you and your state to reduce the carbon intensity of transportation fuels.

I am writing to share our company's perspective on two key program areas for your consideration. These requests address the topics of **firm rotation** and **less intensive verification**.

#### **Firm Rotation**

The existing regulations within the LCFS verification program stipulate a mandatory rotation of audit firms every six years to assess participants' carbon intensity (CI) and fuel quantities compliance.

Our request is that CARB amend the mandatory firm rotation regulation to include an exception for licensed CPA firms. Of the 30 approved LCFS verification bodies, there are only four licensed CPA firms.

***An approved verification body, that is also a licensed CPA firm, exceeds the standards in place for verification bodies and is already subject to additional oversight on the entity's quality control system in accounting and auditing practices through the required AICPA peer review process.***

***Due to the increased regulatory oversight, we suggest a CPA firm not be subject to the audit firm rotation but would instead adhere to a Lead Verifier rotation after six consecutive years.***

A licensed CPA firm differs from other consulting agencies by adhering to more rigorous standards and oversight at a state and national level. If a verification body were to violate a Lead Verifier rotation requirement, it would put the firm license at risk. The firm

license is required for all services provided by the firm, not just the LCFS verification services, thereby ensuring adherence to requirements.

### Licensed CPA firm requirements

- A licensed CPA firm must be comprised of over 50% of the ownership being licensed CPAs.
  - To earn the accreditation to be a CPA, one must pass a rigorous four-part CPA exam, accumulate education hours, and in many states, one must fulfill 1-2 years of work experience.
  
- 3-year peer review audit
  - Each licensed CPA firm must enroll in an approved peer review program with reviews conducted every 3 years. The peer review requirement is a requirement of the American Institute of Certified Public Accountants (AICPA) and is an external review of a firm's quality control system in accounting and auditing practices. CPA firms' peer review results can be found on AICPA's website under the [Peer Review Public File Search](#).
  
- State Boards of Accountancy (SBOA) are found in each state's statute to aid state governments in the licensing and regulation of the public accounting profession.
  - SBOAs provide further oversight on CPA firms by evaluating CPA licensees' examinations and regulatory oversight to ensure a firm is practicing within their statutory scope.

The audit quality and efficiency improve as the auditor becomes more familiar with our company's processes. In addition, with the limited number of firms available as verification bodies and a five-year lookback period in place, it is proving difficult to identify a quality verification body that is not also working with our facility in other consulting capacities. The number of people available with the proper expertise to assist us in design and development of projects and to reserve for verification purposes has proven even more limiting, which is also why we request a Lead Verifier rotation rather than a full firm rotation.

### Less Intensive Verification

Regarding less intensive verification, we noted in Appendix E staff's proposal for less intensive verifications for when electricity is used as a transportation fuel, allowing verification bodies to skip site visits if they visited the site in the last two years and issued a positive verification statement.

The rationale for this proposed change states, "there is little change of operation from reporting period to reporting period thus reducing the benefit of annual site visits." Additionally, staff rationale states, "There is no or little risk to the integrity of the LCFS



program to allow for less intensive verification services without a site visit in the annual verifications for the following two years. This should reduce the cost of verification services which is often passed on to program participants.”

Currently, the proposed language limits this allowance for less intensive verifications to QFTR third-party verification bodies for fuel reporting entities only reporting electricity transactions.

We agree with the staff’s stated rationale, but **we request for less intensive verification to be extended as an option for verification bodies on all validations and annual verifications for any reporting entities.**

In CARB’s MRR program (section 95130), less intensive verification is applied without prejudice to verification services by accredited verification bodies.

We agree with staff that less intensive verification leads to little to no risk to the integrity of the LCFS program and that there is little change in operation from reporting period to reporting period, while also providing cost savings to verification providers and passed on to our company as program participants.

We acknowledge the importance of adhering to CARB’s specified conditions that necessitate comprehensive verification services. These conditions include the issuance of an adverse verification statement or a qualified positive verification statement in the preceding year and the occurrence of a change in operational control of the reporting entity in the previous year.

Thank you for your time and consideration. Please reach out to us if you have any questions.

Sincerely,

Doug Sommer



1-30-2024