

January 30, 2024

California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Proposed 2024 LCFS Amendments

Dear California Air Resources Board,

Christianson PLLP is a full-service public accounting firm located in Willmar, Minnesota and has worked with renewable fuels producers for over 30 years, providing technical assistance and professional services that promote industry compliance.

We are honored to be the chosen and trusted fuel pathway verification body for several biofuel producers across our nation that participate in CARB's LCFS program.

We are writing to share our 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.

In addition to the information noted above, we can also note that through the first three years of the LCFS program, familiarity and efficiency have been gained, allowing us to find and resolve additional issues in reporting.

In the first year, extensive time is spent understanding the company's processes, controls around the processes, software and methodologies around fuel pathway reporting. While comprehending these aspects and pinpointing significant overarching issues or addressing numerous items during a company's initiation into the program, there is a possibility that additional issues might go unnoticed in the initial year of reporting.

The audit quality and efficiency improve as the auditor becomes more familiar with the client and their processes. Upon resolution of the major items, the auditor can redirect

their time and energy towards other areas, thereby uncovering additional issues that might have been overlooked in the initial year of review.

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 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.

In addition to the cost-savings rationale mentioned in Appendix E, allowing for less intensive verification reduces the amount of greenhouse gas emissions from traveling to site visits for our many clients spread out throughout the country. In 2023, our team traveled 21,818 miles solely via passenger vehicles, with supplementary air travel to personally visit a portion of our client base. Through less intensive verification, this is an easy way to reduce carbon emissions while maintaining the program's integrity.



We at Christianson PLLP thank you for your time and consideration. Please reach out to us if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Kari Buttenhoff, CPA". The signature is fluid and cursive, with the letters "Kari" and "Buttenhoff" connected, and "CPA" written in a slightly more formal, upright style at the end.

Kari Buttenhoff, CPA
Partner, Christianson PLLP

Christianson PLLP
302 5th St. SW
Willmar, MN 56201