Christianson PLLP

Our comments are attached. Thank you.

June 6, 2024

Washington Department of Ecology
Attn: Adam Saul, Environmental Planner
300 Desmond Drive SE
Lacey, WA 98503

RE: Rulemaking – Clean Fuel Standard Informal Comment Period #2

Dear Department of Ecology CFS rulemaking team,

Christianson PLLP is a full-service Certified Public Accountant (CPA) firm located in Willmar, Minnesota and has worked with renewable fuel producers for over 35 years, providing technical assistance and professional services that promote industry compliance.

We are honored to be the chosen and trusted fuel pathway third-party validation and verification body for several biofuel producers across our nation that participate in the various clean transportation programs offered in the U.S.

We are writing to share our perspective from our years of experience as an accredited validation and verification body by the California Air Resources Board (CARB) Low Carbon Fuel Standard (LCFS) and Mandatory Greenhouse Gas Reporting Regulation (MRR), as well as the Oregon Department of Environmental Quality (DEQ) Clean Fuels Program (CFP).

In our initial public remarks in March, we provided comments on ensuring less intensive verification for site visits, streamlining the accreditation process for verification bodies and the benefits of partner rotation rather than firm rotation.

In the March 2 presentation, we were disappointed to see the requirement for a firm rotation. It is important for us to highlight the handful of verification firms that adhere to more rigorous standards and oversight by being a CPA firm.

Firm Rotation

Your proposed rule and 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 to you and the other state programs is to propose or amend the mandatory firm rotation regulation to include an exception for licensed CPA firms. Of the 30 CARB-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 must also note that through the initial years of a low carbon fuel standard, 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 past the initial year of review.

We have shared our concerns of a firm rotation with California and Oregon as well, as these programs look to streamline requirements amongst the state programs, so that the CPA exception language is adopted by all.

We at Christianson PLLP thank you for your time and consideration on this matter and are grateful to be involved in the rulemaking process. Please reach out to us if you have any questions.

Sincerely,

Kari Buttenhoff, CPA

Kari Buttenhoff, CPA
Partner, Christianson PLLP

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