

June 19, 2024

California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

RE: Comments on CARB's Proposed Amendment to the Cap-and-Trade Regulation

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 a number of biofuel producers across our nation that participate in CARB's Low Carbon Fuel Standard program and also for fuel suppliers under the Cap-and-Trade and Mandatory Reporting Rule programs.

We are writing to share our perspective on firm rotation for your consideration.

### **Firm Rotation**

The existing regulations within the Mandatory Greenhouse Gas Reporting Regulation (MRR) stipulates a mandatory rotation of audit firms every six years to assess participants' independent verification of greenhouse gas (GHG) emissions data reports.

Our request is that CARB amend the mandatory firm rotation regulation to include an exception for licensed CPA firms. Of the around 30 approved verification bodies for GHG emissions data reports, there are only two 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 MRR 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 condition 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 our first years of auditing the MRR 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 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 by a new auditor.

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.

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

Sincerely,



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Partner, Christianson PLLP

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