

November 3, 2017

Ursula Lai
California Environmental Protection Agency
Air Resources Board (ARB) - Stationary Source Division
LCFS Program Planning and Management Branch – Verification
Ursula.Lai@arb.gov

RE: Proposed LCFS Verification Program

Ms. Lai and team,

Christianson PLLP is a full-service public accounting firm located in Willmar, MN that has worked with renewable fuel producers for 30 years, providing technical assistance and professional independent services that promote industry compliance. We are currently a RIN attest provider under the Renewable Fuels Standard and work primarily with biofuels producers. We are interested in becoming a verification body for any type of participants of the upcoming LCFS verification requirement and respectfully submit the comments below pertaining to the proposed verification program.

CONFLICT OF INTEREST

Christianson provides a number of services to the renewable fuels industry and is interested in providing verification services to pathway holders of the LCFS program, which involves a number of our current clients. We are interested in gaining efficiencies for our current clients by utilizing knowledge and data from other service engagements where possible. In order to provide services to our current client base, which accounts for 30% of the companies with registered pathways, we need to discuss modifications to certain pieces of the conflict of interest. Please see our discussion below on the high conflict areas which will disqualify us from doing verifications for a large number of our clients, and the proposed modifications, which still comply with our professional conflict of interest, we would like you to consider.

95503 (b)(2)(G) (pg. 272) – Service related to development of information systems, including providing accounting software or consulting on the development of environmental management systems, unless those systems will not be part of the validation or verification process;

We would like to recommend that this category be moved to a medium risk. Christianson does sell, implement and complete upgrades on behalf of our Microsoft Dynamics Great Plains (accounting software) and Intellego (grain receiving and ethanol/co-product shipping software) clients, some of which would also require LCFS verification. When completing other verification type services (RIN attest or financial auditing), we have not considered reducing testing or risk factors because they utilize the products that our firm sells. The same testing is applied to all clients regardless of the software that is utilized for tracking. In addition, we believe that most public accounting firms with a software technology department that offers software and support would be very segregated from the staff who would be in charge of auditing and verifications. Therefore, we believe we can present mitigating factors to help ARB be comfortable with our firm providing both of these services.

95503 (b)(2)(H) (pg. 272) – Verification services that are not conducted in accordance with or substantially equivalent to section 95503 requirements, unless the systems and data reviewed during those services, as well as the result of those services, will not be part of the validation or verification process.

In recent conversations with ARB it seems that additional research into the RIN attest is being completed and considered in developing the verification regulations. We would like to suggest that this section also provide an exclusion for the RIN attest. We have been discussing data shares and efficiencies that could be gained through procedures that are already completed during our independent review of the RIN attest data, in particular, the efficient producer data for the ethanol industry. We would like to suggest to ARB that the sample set used for the RIN attest be able to be used as a base sample set for the LCFS verification, and that we then add on any additional sample items called for in our sampling plan. If we do this, then the exclusion for the RIN attest data would need to be written into this high conflict item.

95503(b)(2)(N) (pg. 273) – Bookkeeping and other services related to accounting records or financial statements

We would like to recommend updating the text for this high conflict item to state, **“Bookkeeping and other non-attest services related to accounting records, or financial statements, excluding services and results of those services that will not be part of the validation or verification process.”**

Attest services are services that only a Certified Public Accountant (CPA) can perform and generally include audit, review and compilation of financial statements, and agreed upon procedures (the RIN attest) among other services, most of which require independence. These services are unique to a CPA because they require passing the Uniform CPA Examination, adhering to a strict code of ethics, complying with professional standards and meeting ongoing professional development and education requirements. In most cases the revenues from these services will cause the firm to have a medium conflict of interest where we will need to describe the services and a mitigation plan to ARB in order to engage a client. These are the reasons we would suggest that only non-attest services be listed as high risk for verification purposes.

Additionally, we have suggested adding language to the end of this section to exclude any services whose results are not directly utilized in LCFS verifications and validations. Services that are not related to LCFS verification, such as, tax preparation and depreciation schedule maintenance should be able to be excluded from this high-risk category as they have no effect on the data being verified and will not be utilized during the verification.

QUARTERLY VERIFICATION

We recommend that the current regulation allow an optional quarterly verification to be completed by the verification bodies. The sample selections for each quarter would be proportionate to renewable fuel output depending on the production cycles of the reporting entity. Additionally, a sampling plan would be created by the verification body and available upon ARB’s request prior to the commencement of the quarterly verification. This option would allow the verification body an even distribution of verification work throughout the year instead of condensing it after year-end. All findings would still be reported in a corrections log that would be available to CARB.

In addition, the quarterly verification would allow for the identification of issues at an earlier date, rather than waiting 6-8 months after the reporting year before identifying problems. We do not have the intention of this being a mandatory quarterly verification, but rather an option of completing this work on a quarterly basis.

MRR REFERENCE CONSISTENCY

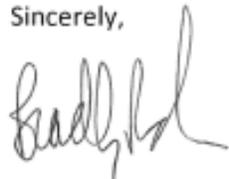
Per our prior discussions with ARB, and review of the drafted regulatory text, we would like to recommend that requirements that are referenced regarding the Mandatory Greenhouse Gas Reporting Regulation (MRR) be laid out within the regulatory text, as opposed to having the sections be referenced throughout. This allows for consistency, and would reduce the risk of having conflicting interpretations of the MRR sections and requirements.

LCFS READINESS PERIOD

We have had discussions with companies that have shown interest in acquiring services to assist in preparing them for LCFS verification implementation. We would like to offer these clients some assistance, but also do not want to trigger a high risk conflict of interest in doing so. The idea is to complete many of the verification data checks on 2018 data and to draft a mock corrections log and report to give the client an idea of where they may have issues. This would allow them to make corrections or changes to their processes and documentation prior to the actual implementation period. Our firm would provide the client with the errors that we would be logging and reporting if the verification regulation was effective, but we would not be advising or consulting on corrective action plans. This would allow the entity to identify errors prior to the LCFS reporting period, making a smoother and more accurate implementation. It would also allow us as the verification body to test and adjust our verification procedures and start creating documentation and reports in anticipation of the effective date of the rule. We would also anticipate bringing questions to ARB and sending in mock reports so that ARB could see and approve our deliverables prior to implementation. We would not need anything in the regulation to address this service, we would just like confirmation that if we provide this service that we will not be restricted from doing the verification when the rule becomes effective, and also that we are not starting the clock on any rotation rules.

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

Sincerely,



Bradley Pederson, CPA
Partner



Kari Butenhoff, CPA
Compliance Services Manager