

# Attestation Engagements (Audits) for the HFC Allocation Program

## *Suggested Audit Procedures for Certified Public Accountants*

March 2025 Webinar

# Webinar Technical Overview

- All participants will be muted during the presentation.
- If you have questions during the presentation, please enter them in the chat. We will review all questions at the end.
- This presentation will be recorded and posted along with a copy of the slides on the EPA's [HFC Allocation Program Reporting and Recordkeeping webpage](#)

# Agenda

- Webinar Objectives
- Auditing Overview
- General Agreed Upon Procedures Requirements
- Preparing and Submitting Audit Reports
- Changes to the Suggested Audit Procedures
- Common Questions Based on Last Year's Audits
- Areas for Improvement Based on Last Year's Audit Cycle
- Additional Resources
- Brief Overview of Suggested Procedures and Example Audit
- Questions

# Webinar Objectives

- Connect with stakeholders in advance of the deadline for conducting third-parties audits (i.e., agreed-upon procedures)
- Provide a refresher on HFC auditing requirements under 40 CFR 84.33, highlighting lessons learned from last year
- Provide an overview of suggested procedures and example audit
- Provide the regulated community and CPAs an opportunity to ask questions

# Auditing Overview

- **Due date:** May 31 of each year
- **Timeframe covered by the audit:** January 1 – December 31 of the prior year
  - All activity that occurred during the prior calendar year (CY), including requests for application-specific allowances must be reviewed
- **Who is subject to the auditing requirement?**
  - Producers, importers, and exporters of regulated HFCs
  - Application-specific allowance holders
  - HFC reclaimers and fire suppressant recyclers
- **Documentation to be included**
  - Summary of findings (e.g., list of discrepancies identified)
  - A final report (AUP report) identifying the applicable procedures specified in the regulations along with the corresponding findings for each procedure, including a list of all records reviewed
- **What happens after the audit is submitted**
  - Once the final AUP report and summary of findings are submitted, EPA will review the report and may reach out to companies about discrepancies identified in their audit
- **Full list of auditing requirements:** [40 CFR 84.33](#)

# General Agreed Upon Procedures Requirements

- In accordance with 40 CFR 84.33, CPAs must prepare a report identifying the applicable procedures specified in the regulations along with the corresponding findings for each procedure. The CPA's findings must identify any instances where:
  - Information from two or more sources do not agree, or
  - where specified values do not meet applicable requirements under the regulations
- The EPA has compiled a list of suggested procedures that comply with these requirements
  - A CPA may include their own procedures in the final AUP report, provided they meet requirements in 40 CFR 84.33

# AUP Engagement in Accordance with AT-C 215

Practitioner must be independent

Practitioner performs procedures and reports the findings

Procedures are not open to varying interpretations or do not use ambiguous language\*  
(for example, general review, check, test)

Practitioner report should include all procedures performed and results of findings

No opinion or conclusion is provided

\*Paragraph .27A of AT-C Section 215 provides examples of acceptable descriptions of actions as well as descriptions of actions that generally are not acceptable because they are not sufficiently precise or have an uncertain meaning.

- Technical Question and Answer 9510.04 provides nonauthoritative guidance about the EPA's auditing requirements and illustrative procedures that CPAs may perform as part of their engagement
- Practitioners can access this resource on the AICPA website:

[TQA 9510.04, Performing Agreed-Upon Procedures Engagements Related to Third-Party Audit Requirements under the EPA HFC Phase Down Program](#)

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## Q&A Section 9510

### *Attestation Reports*

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#### **.04 Performing Agreed-Upon Procedures Engagements Related to Third-Party Audit Requirements under the EPA Hydrofluorocarbon (HFC) Phase Down Program**

Certain companies are subject to third-party auditing requirements under the Environmental Protection Agency's (EPA) [Hydrofluorocarbon \(HFC\) Allocation Framework final rule](#) (the final rule). The final rule includes requirements for third-party auditing by an independent certified public accountant (CPA) of reports submitted by:

- producers, importers, and exporters of regulated HFCs,
- application-specific allowance holders; and
- HFC reclaimers and fire suppressant recyclers.

The EPA issued [guidance](#) stating agreed-upon procedures (AUP) engagements, performed by a CPA in accordance with the AICPA Attestation Standards, specifically AT-C section 215, *Agreed-Upon Procedures Engagements*, should be used to meet the auditing requirement.



# Preparing and Submitting Audit Reports

- Final audit report documents
  - Summary of findings template
  - A description of findings for each agreed upon procedure, including a list of all records reviewed
- Submitting final audit reports to EPA
  - **Reporting platform:** EPA's Central Data Exchange (CDX) (<https://cdx.epa.gov/>)
  - **Program service name:** ODS: Ozone Depleting Substances
  - **Reporting tab:** Other Documents
  - **Document type:** Third-party Audit
  - **Instruction documents:**
    - Registering with CDX ([https://www.epa.gov/system/files/documents/2021-12/reporting-instructions\\_registering-with-cdx.pdf](https://www.epa.gov/system/files/documents/2021-12/reporting-instructions_registering-with-cdx.pdf))
    - Submitting Other Documents to EPA ([https://www.epa.gov/system/files/documents/2021-12/reporting-instructions\\_submitting-other-documents.pdf](https://www.epa.gov/system/files/documents/2021-12/reporting-instructions_submitting-other-documents.pdf))

# Changes to the Suggested Audit Procedures

- EPA worked with AICPA to develop suggest procedures for CPAs to conduct the annual audit and fulfil requirements under 40 CFR 84.33
- This year's suggested audit procedures have been revised for clarity
  - Reordered and consolidated steps for app-specific instructions to simplify and improve repeatability
  - Clarified and simplified instructions for reviewing records on containers used to store and transport regulated substances
  - Clarified terminology and requirements regarding batch testing
  - Updated procedures for HFC-23 and HFCs produced for destruction to better align with AICPA procedures

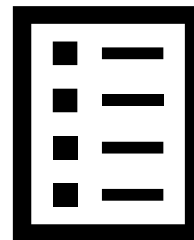
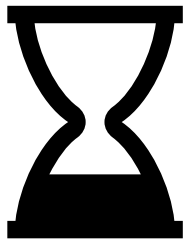
# Common Questions Based on Last Year's Audits

- When is batch testing required?
  - Batch testing is required for producing, importing, exporting, reclaiming, recycling for fire suppression, or repackaging
  - Batch testing is not required for exporters if the container has already been batch tested
- How to report on number and type of containers used?
  - Regulated entities should have information on the type of containers they use to transport and store HFCs (e.g., tanks, cylinders)
  - If a company does not maintain a list of type and number of containers used, this information can be collated from other documents (e.g., bills of lading, manifest documents, inventory documentation)

# Common Questions based on Last Year's Audits

- What date should be used for the date of import?
  - The date of import aligns with the following points in the import process:
    - Ship berthing for marine vessel arrivals
    - Border crossing for land arrivals such as trucks, rail, and automobiles
    - First point of terminus in U.S. jurisdiction for arrivals via air
  - These points in time may be reflected as the “Conveyance Arrival” date for shipments in customs records
  - CPAs should request conveyance arrival dates for all imports, as these dates may not be reflected in customs paperwork, i.e., listed values for “entry date” or “import date” may not accurately reflect the import date
  - In the absence of conveyance arrival dates, manifest data, entry summary data, or bills of lading can be compared to importer quarterly reports to satisfy the suggested procedures
- What to do if records are missing?
  - The CPA can note in the AUP report if records are provided later or if companies are in the process of obtaining those documents
  - Records that entities are required to maintain in accordance with requirements under 40 CFR 84.31 that are not provided to the CPA should be documented as a finding in the AUP report

# Areas for Improvement Based on Last Year's Audit Cycle



Timing	Procedures	Findings
Audits are due by the May 31st deadline	Some audits did not include a complete explanation of procedures used	Some audits identified discrepancies, but did not provide information on the direction and magnitude of the variance

# Reminders for this Year's Audits

- EPA has noted in the suggested procedures where sampling is allowed; all other records must be reviewed
- We recommend that CPAs maintain the procedure identifiers in the Suggested Audit Procedures to streamline review
  - We expect this approach will also decrease the number of follow-up questions
- EPA encourages CPAs to provide detailed findings (i.e., provide direction and magnitude of variances for quantities, list missing records) to decrease the need for follow-up
- EPA encourages CPAs to get context from their client to confirm variances and if they have plans to address variances and note that information
  - The more context you can provide, the more streamlined EPA's review will be, reducing the need for potential follow up
- Rounding issues may occur, please note where it occurs
- Ensure your engagement letter specifies that the report should be submitted by the May 31, 2025 due date
- An example audit is available
- Send questions to [HFCColocation@epa.gov](mailto:HFCColocation@epa.gov)

# Additional Web Resources

HFC Allocation Program	<a href="https://www.epa.gov/climate-hfcs-reduction/hfc-allowance-allocation-and-reporting">https://www.epa.gov/climate-hfcs-reduction/hfc-allowance-allocation-and-reporting</a>
HFC Allocation Program Regulatory Actions	<a href="https://www.epa.gov/climate-hfcs-reduction/regulatory-actions-allowance-allocation-and-reporting">www.epa.gov/climate-hfcs-reduction/regulatory-actions-allowance-allocation-and-reporting</a>
HFC Allocation Program Reporting and Recordkeeping	<a href="https://www.epa.gov/climate-hfcs-reduction/reporting-and-recordkeeping-resources#Forms">https://www.epa.gov/climate-hfcs-reduction/reporting-and-recordkeeping-resources#Forms</a>
Access Other Document Submissions Through EPA's Central Data Exchange (CDX)	<a href="https://cdx.epa.gov">https://cdx.epa.gov</a>
Frequent Questions	<a href="https://www.epa.gov/climate-hfcs-reduction/frequent-questions-phasedown-hydrofluorocarbons">https://www.epa.gov/climate-hfcs-reduction/frequent-questions-phasedown-hydrofluorocarbons</a>
HFC Auditing Requirements	<a href="https://www.ecfr.gov/current/title-40/section-84.33">https://www.ecfr.gov/current/title-40/section-84.33</a>

# Questions?