



U.S. Department  
of Transportation  
**Pipeline and Hazardous  
Materials Safety  
Administration**

1200 New Jersey Avenue, SE  
Washington, D.C. 20590

April 10, 2026

To: All PHMSA Grantees and Program Managers

From: Michael Reles – Chief Financial Officer/Associate Administrator for Administration

Subject: Lessons Learned from Recent Federal Financial Assistance Compliance Reviews

Dear Grantee:

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is committed to ensuring the highest standards of safety and stewardship in the administration of our federal grant programs. To support this mission, PHMSA recently conducted a series of compliance reviews across a representative sample of our grantee community. These reviews evaluated adherence to federal statutes, regulations, and specific grant terms and conditions. In particular, PHMSA focused on grantees' financial management systems, internal controls, and procurement practices.

To assist all grantees, PHMSA is sharing these "lessons learned" to support you in proactively strengthening your program management and ensuring continued compliance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200). Strengthening these core components of your grant management will help ensure that your organization maintains the robust internal controls necessary to support our shared safety mission.

#### Documentation of Personnel Expenses

Per 2 CFR § 200.430, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal controls that provides reasonable assurance that the charges are accurate, allowable, and properly allocated. While estimates (i.e. before the work is performed) are acceptable for interim accounting purposes, grantees must utilize a timekeeping system that records actual time worked after-the-fact. Timesheets should be signed by the employee and reviewed and approved by a supervisor. These records must reflect the total activity for which the employee is compensated, accounting for both federal and non-federal programs.

### Lobbying

Some PHMSA grants have explicit statutory restrictions preventing grant funds from being used for lobbying<sup>1</sup>, and all PHMSA grants are subject to the governmentwide grant regulations regarding lobbying found at 2 CFR § 200.450. If your organization engages in lobbying, your timekeeping and accounting records must clearly isolate those costs from your federal grant activities. PHMSA recommends that grantees that engage in lobbying review the definitions at 2 CFR § 200.450 and provide formal training to your staff to ensure these activities are accurately identified and excluded from costs charged to PHMSA grant awards.

### Procurement

Grantees must maintain and use documented procedures for procurement transactions under a federal award, including for the acquisition of property or services. The documented procurement procedures must be consistent with State, local, and tribal laws and regulations and the standards identified in Procurement Standards 2 CFR §§ 200.317 through 200.327. Grantees are reminded to ensure their procurement policies have a proper "Segregation of Duties," ensuring that transactions are reviewed and approved by an individual other than the one who initiated the request.

### Internal Controls and Policy Maintenance

Grantees are required to establish and maintain effective internal controls to provide reasonable assurance of compliance. Recent compliance reviews identified instances where organizational policy manuals had not been updated for several years, resulting in a failure to address changes in federal requirements. PHMSA recommends establishing a recurring schedule to review your internal policies to assess whether revisions are necessary to comply with the current governing authorities for your federal award.

We hope you find this information helpful. Maintaining a strong, collaborative partnership is essential to our mutual success in advancing safety across the Nation. By working together to ensure full compliance with federal statutes, regulations, and the terms and conditions of federal awards, we protect the integrity of the public funds entrusted to us and demonstrate our collective commitment to transparency and accountability.

PHMSA appreciates the vital work you do to enhance pipeline and hazardous materials safety. If you have questions regarding these reminders, please reach out to your assigned PHMSA Grant Manager.

Sincerely,

Michael Reles, CPA  
Chief Financial Officer/Associate Administrator for Administration

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<sup>1</sup> TDG - 49 U.S.C. §601114(g); TAG - 49 U.S.C. §60130(b); SDP - 49 U.S.C. §60134(g)