WATKINS | GOVERNMENT SERVICES

March 6, 2026

U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
1200 New Jersey Avenue, SE
Washington, DC 20590

Compliance Review

Watkins Government Services LLC performed a compliance review of the Technical Assistance Grant (TAG) awarded by The United States Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA) to the West Central Texas Council of Governments (WCTCOG), for fiscal year 2023, refer to ***Table 1 – List of Federal Awards***. The purpose of the compliance review was to evaluate WCTCOG's compliance with federal statutes, regulations, and the terms and conditions of the awards. We reviewed WCTCOG's compliance with the TAG program's authorizing statute at 49 U.S.C. § 60130, which prohibits grant funds from being used for lobbying, for direct advocacy for or against a pipeline construction or expansion project, or in direct support of litigation. Our review also included reviewing WCTCOG's compliance with 2 CFR Part 200 (*Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards*) and the specific grant conditions and special terms, evaluating relevant financial management systems, internal controls, and procurement practices. In addition, our review included assessing documentation supporting expenditures charged to the award, testing a sample of transactions to ensure allowability, allocability, and reasonableness, and confirming that required reports were submitted timely and accurately.

Table 1 - List of Federal Awards

Grant Award #	Assistance Listing #	Period of Performance	Award Amount	Expenditures as of 09/29/2024
693JK32340008PTAG	20.710	09/30/2023 – 09/29/2024	$99,614.00	$99,154.24

Procedures, Observations, and Recommendations

Internal Controls

2 CFR § 200.303 – Internal Controls requires federal grant recipients to establish, document, and maintain effective internal control over the federal award that provides reasonable assurance that the recipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award, which should align with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States. In addition, 2 CFR § 200.303 requires that recipients take reasonable cybersecurity and other measures to safeguard information, including protected personally identifiable information (PII) and

other types of sensitive information. Also, the TAG organic statute at 49 U.S.C. § 60130 prohibits grant funds from being used for lobbying, for direct advocacy for or against a pipeline construction or expansion project, or in direct support of litigation.

As part of our review, we obtained and reviewed WCTCOG's Financial Policies and Procedures Manual and the Procurement Policy to determine if the procedures complied with federal regulations. During our review, we noted that the policy and procedure manuals do not specifically address the protection of PII or the grant closeout process, discussed at 2CFR § 200.344. We also noted that the policies and procedures manuals were last updated in 2017 and 2016 respectively. We recommend that WCTCOG develop and implement policies and procedures to ensure that PII and other sensitive information is adequately safeguarded and formally document its grant closeout procedures. In addition, WCTCOG should establish a schedule to periodically review policies and procedures to assess whether revisions are necessary to comply with changes in authoritative guidance or business processes.

Based on our review, we also made recommendations around Cash Disbursement Recordkeeping to help ensure that the established policies and procedures are sufficient to provide reasonable assurance that WCTCOG complies with Federal statutes, regulations, and the terms and conditions of federal awards.

Allowable Costs and Cost Principles

To determine if WCTCOG complied with federal regulations and the terms and conditions of the award, Watkins selected a sample of expenditures charged to the award and obtained copies of the relevant supporting documentation. We examined the supporting documentation to determine if the expenditures were allowable under the terms and conditions of the award, allocated in a clear and reasonable manner, that the expenditures were properly supported, and reviewed and approved by management, and incurred during the award period of performance.

Grant Terms and Conditions, Section 15.a.1, Prior Approvals, require advance written approval from the Program Authorizing Official (PAO) for "Changes in scope, objective, or key personnel referenced in the Recipient's proposal". We noted that WCTCOG changed personnel for the outreach/training position without notifying PHMSA. We recommend WCTCOG timely notify PHMSA of planned personnel changes in advance of the change to comply with grant terms and conditions.

Payroll Costs

2 CFR §200.430 - Compensation-personal services of the Uniform Guidance requires that charges for salaries and wages be (1) based on records that accurately reflect the work performed; (2) account for an employee's total paid time, including work on both federal and non-federal activities; (3) reasonably reflect the total activity for which the employee is compensated; and (4) reflect "after the fact" statements of the employee's time spent on specific tasks, not estimates or budgets. WCTCOG's time reporting system is based on actual time worked. WCTCOG uses semi-monthly timecards where staff enter time worked, based on actual time worked on each program including leave hours (vacation, holiday, etc.). However, to meet timelines for payroll processing, employees may estimate time for the last few days of the pay period, based on the percentage of time budgeted in the grant narrative. Personnel notate and report any variance between actual time worked on each

program and estimated time. WCTCOG processes journal vouchers to correct the estimates to actual time worked. This is an allowable method of allocating time under the Uniform Guidance. Our sample of 19 expenditures included 11 payroll allocations. Documentation to support the payroll allocations included Pay Stubs, Timecards, and Detailed Payroll Register. We reviewed the timesheet and pay stub, recalculated the hourly rate, and verified the amount charged to the grant.

We reviewed a journal voucher to correct estimated time and noted that the supporting documentation was not available to substantiate the correction. We recommend that WCTCOG require adequate supporting documentation be included with all journal vouchers.

Cash Disbursements

WCTCOG's established policies and procedures over Cash Disbursements require that all invoices should be reviewed for mathematical accuracy, validity, conformity to the budget, and compliance with contract requirements. Payment requests must be prepared for each invoice and include the date, payee, amount, invoice number, description, breakout of the appropriate general ledger account and cost center. WCTCOG stated that invoices are reviewed and approved prior to payment, however, evidence of review and approval was not evident on the invoices.

While the documentation provided to support the expenditures tested demonstrated that WCTCOG complied with the established policies, we recommend WCTCOG update the Financial Policies and Procedures manual to require evidence of review and approval.

Procurement

2 CFR §200.318 – General Procurement Standards requires the recipient of federal awards to 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. We found that WCTOG's written procurement policies are in compliance with federal standards.

Reporting

We reviewed WCTCOG's compliance with the award reporting requirements. 2 CFR §200.329 – Monitoring and Reporting Program Performance requires WCTCOG to submit Mid-Term Progress Reports and Mid-Term Federal Financial Reports (FFRs). The mid-term reports are due within 30 days after the end of the sixth month of the grant period. In addition, WCTCOG is required to submit Final Program Progress Reports and Federal Financial Reports, which are due within 90 days after the end of the grant period. We examined the mid-term and final reports for the awards to determine if they were accurately prepared, timely submitted, and adequately supported. We noted that the Federal Financial Reports and Program Progress reports were accurately prepared and timely submitted.

The final Federal Financial Report (SF-425) notes unspent funds of $459.76 which should be refunded to PHMSA.

Specific Grant Conditions and Special Terms

Our review also included reviewing WCTCOG's website and other documentation, to assess whether WCTCOG complied with the specific grant conditions, and special terms, including restrictions included in 49 U.S.C. §60130(b) related to lobbying and/or direct advocacy for or against a pipeline construction or expansion project, or direct support of litigation. We found no evidence of lobbying and/or direct advocacy for or against a pipeline or expansion project.

Conclusion

We have reviewed WCTCOG's compliance with 2 CFR Part 200 (*Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards*) and the specific grant conditions and special terms, and evaluated the relevant financial management systems, internal controls, and procurement practices of WCTCOG. As a result of our review, we concluded that, other than the impact of the internal control and compliance exceptions noted above, WCTCOG accounted for PHMSA Technical Assistance Grant funds in compliance with the requirements of 2 CFR Part 200 and the terms and conditions of the awards.

Summary of Recommendations

Cash Disbursements
We recommend that all required documentation to support a cash disbursement, including the review and approval of the disbursement, be maintained in accordance with federal record retention requirements.

Financial and Procurement Policies
We recommend that WCTCOG develop and implement policies and procedures to ensure that PII and other sensitive information is adequately safeguarded and formally document its grant closeout procedures. In addition, WCTCOG should establish a schedule to periodically review policies and procedures to assess whether revisions are necessary to comply with changes in authoritative guidance or business processes.

Grant Terms and Conditions
We recommend WCTCOG timely notify PHMSA of planned personnel changes in advance of the change to comply with grant terms and conditions.

Journal Vouchers
We recommend that all required documentation to support journal vouchers, including review and approval, be maintained in accordance with federal record retention requirements.

Timekeeping and Payroll
We recommend WCTCOG explore options to reduce or eliminate the need to estimate time for the last few days of a pay period. One option is to change the current methodology of paying through the pay date to paying a period or week in arrears. This would allow timekeepers to enter actual time worked and cease the use of estimates.