



## HAMILTON COUNTY, TENNESSEE

### INTERNAL AUDIT OFFICE

To: Weston Wamp, County Mayor  
Hamilton County Commissioners  
Dr. Justin Robertson, Superintendent – Hamilton County Schools  
Hamilton County School Board members  
Audit Committee

From: Chris McCollough, County Auditor

Date: June 9, 2025

Subject: Hamilton County Schools (HCS) - Audit of Procurement Card (P-Card) Activity

We completed an audit of the HCS P-Card Program activity from January 1, 2024, through December 31, 2024. Our audit procedures included an assessment of internal controls over the issuance, use, and accounting for P-Card transactions, as well as testing for compliance with internal controls. Below is additional information related to the HCS P-Card Program and a summary of our audit objectives, procedures, and conclusions.

### **BACKGROUND**

On March 1, 2019, HCS entered into a contract with Truist Bank to administer P-Card services. The initial contract covered March 1, 2019, through February 28, 2022; an amendment was signed February 7, 2022, extending the contract for an additional three-year term. The HCS began active use of P-Cards in August 2019.

The HCS P-Card Program's primary purpose was to create an efficient, well-controlled, and cost-effective method for purchasing and paying for small transactions. The HCS P-Card is issued by MasterCard and operates similarly to a standard credit card. However, the HCS P-Card is designed with more internal controls than a standard credit card. Some of the additional controls include:

- A designated P-Card Administrator to oversee the operations of the entire Program;
- Over 20 designated P-Card Coordinators to review and approve daily transactions;
- Ability to limit the use of the card to certain merchant types;

- Ability to limit single transactions by dollar amount;
- Ability to limit monthly transactions by dollar amount for each cardholder;
- Timely review and approval of all receipts by an alternate employee; and
- Review and approval of the monthly cardholder statement issued by Truist.

The following is a summary of the use of HCS P-Cards during the period January 1, 2024, through December 31, 2024:

➤ Number of active P-Card users	174
➤ Number of vendors used *	537
➤ Number of P-Card transactions	4,046
➤ Total P-Card expenditures	\$ 4,410,203

\*See **Exhibit 1** for a listing of top vendors utilized based on purchases.

HCS uses the following P-Card spending profile limits:

- \$500 per single transaction and \$1,000 monthly;
- \$1,000 per single transaction and \$3,000 monthly;
- \$2,500 per single transaction and \$7,500 monthly; and
- \$5,000 per single transaction and \$10,000 monthly.

The only exception to the P-Card spending profile limits above is for cards assigned to Purchasing and Information Technology. The Purchasing card has a \$250,000 single transaction limit and a \$750,000 monthly limit, while the Information Technology card has a \$25,000 single and monthly transaction limit.

Overall, control of the P-Card Program is centralized in the Procurement Department under the direction of the P-Card Administrator. Key responsibilities include maintaining the HCS P-Card Procedures Guide, conducting training for approved cardholders and P-Card Coordinators, issuing all P-Cards, and maintaining documentation of all P-Card authorizations. Documentation includes the Cardholder Enrollment Form and the Cardholder Agreement Form for all employees issued a P-Card.

Departmental control over P-Card use is the responsibility of departmental management and the assigned P-Card Coordinators. The department manager, director, or administrator approves which

employees receive a P-Card. The P-Card Coordinators are responsible for reviewing and approving P-Card purchases, verifying that supporting documentation is uploaded to the Munis ERP general ledger accounting system, reconciling receipts to the monthly bank statement, and acting as liaisons with the accounting and purchasing departments.

The HCS P-Card Accountant processes the payment to Truist for the monthly P-Card bill. This employee is responsible for confirming that all charges included on the monthly P-Card invoice were approved according to established procedures.

The contract with Truist provides an annual rebate incentive to be paid to HCS based on the total dollar amount of purchases processed via the P-Card Program. In February 2025, HCS received \$54,986 in rebate incentives for calendar year 2024. See **Exhibit II** for a list of P-Card rebates earned each year through the P-Card program.

### **AUDIT OBJECTIVES**

The objectives of our audit procedures were to:

- Assess whether internal control procedures over the issuance and use of P-Cards were adequately designed and functioning as intended to safeguard against fraud, waste, and abuse;
- Verify that all purchases using P-Cards were made following the HCS Procurement Rules and P-Card Procedures Guide; and
- Confirm that all P-Cards purchases appeared to be appropriate expenditures for the use and benefit of HCS.

### **AUDIT PROCEDURES**

Our audit procedures covered P-Card transactions from January 1, 2024, through December 31, 2024, and included the following:

- An assessment of internal controls over the issuance and use of P-Cards, including tests of the effectiveness of the internal controls built into the P-Card Program, controls over the proper use of P-Cards by HCS employees, and controls over reporting of transactions.
- Detailed tests of a sample of transactions to verify:
  - P-Cards were issued solely to authorized employees;
  - Adequate support is maintained for all P-Card purchases and is uploaded to the Munis ERP general ledger system;

- Purchases are reviewed and approved following the HCS P-Card Procedures Guide;
  - P-Card transactions are posted to the HCS general ledger on a timely basis; and
  - P-Card transactions are included on the monthly bill from Truist, and timely payment to Truist is made monthly.
- Analysis of all P-Card transactions during the audit period to verify that no transactions were represented as:
    - Duplicate charges;
    - Chained/split purchases (i.e., transactions in excess of the single transaction card limits that were split into multiple transactions to bypass the respective cardholder's spending limit);
    - Individual purchases in excess of the card's respective transaction limit;
    - Charges that included unexplained sales taxes or foreign transaction fees;
    - Disputed or fraudulent charges that were unresolved; and
    - Purchases that were not for the use and benefit of HCS.
  - Review the HCS internal process to verify the accuracy of the rebate earned and paid by Truist.

### **AUDITORS' OPINION & FINDINGS**

Based upon audit procedures performed, the HCS P-Card Program appears to be accomplishing its primary objectives of (1) providing a convenient and efficient method for purchasing certain goods and services, and (2) maintaining internal controls that promote adherence to HCS Purchasing Guidelines. Internal controls appear to function as intended to safeguard against significant fraud, waste, and abuse.

P-Card transactions (including card issuance to authorized employees, purchases of goods and services, recording of activity in the financial records, payment of monthly billing to Truist, receipt of rebate due, and compliance with guidelines) for the audit period were properly recorded in all material respects.

However, our examination noted certain violations and other controls that need improvement in the P-Card program. These exceptions and our recommendations are as follows:

### **General Ledger Account Coding**

**Observation** – We found that three (3) transactions were coded incorrectly and posted to the wrong account.

**Recommendation** – We recommend that P-Card coordinators verify that transaction coding is appropriate. If a suitable expense code does not exist, a new code should be created for proper classification.

**Management Response** – The P-Card Administrator will compile and distribute a summary of this year's findings to all cardholders and coordinators, emphasizing the implementation of the auditor's recommendations. This communication will include a direct link to the HCS Employee Hub's *Budget Resources & Documents* page, which provides detailed procedures, training materials, and guidance on requesting new account strings or submitting budget amendments. Additionally, HCS Procurement is actively collaborating with the finance team to ensure departments have access to the correct and active account strings needed to support authorized expenditures. This finding will be shared with the finance team to further reinforce and align efforts in improving account coding compliance.

### **P-Card Travel Expense**

**Observation** – Per the HCDE P-Card Guide section 7.2, cardholders are to use the P-card Travel Expense Form to report all travel expenses that were charged to their P-Card. During the audit, we found that this form is no longer used and was replaced by the Conference Attendance Request Form.

**Recommendation** – We recommend updating the P-Card travel expense guidelines to better reflect current practices.

**Management Response** – The P-Card Administrator will integrate the recommended updates into the P-Card Manual as part of the annual policy review. This review will also identify and update or remove any outdated form references to maintain consistency and accuracy throughout the document.

### **Additional Recommendations for Program Improvement**

The following recommendation does not relate to findings discovered during the audit. However, we believe it should be considered to enhance controls and increase the effectiveness of the P-Card program.

### **P-CARD POLICY UPDATE**

#### **Circumventing P-Card Transaction Limits (Chaining/Splitting Transactions)**

**Observation** – We found that an employee used chaining to circumvent P-Card transaction limits. Current policy does not discuss or prohibit the use of chaining and splitting, which allows loopholes for P-Card users to bypass purchasing limits.

**Recommendation** – We recommend that the procedures for splitting and chaining be added to the Hamilton County Department of Education’s P-Card policies and procedures guide as an added layer of program control.

**Management Response** – As part of the fiscal year-end policy review, the P-Card Administrator is actively updating the P-Card Manual. The P-Card Administrator will ensure to include clear definitions and guidance regarding circumventing, chaining, or stringing transactions with the upcoming updates. New language will reinforce that such practices are prohibited and will outline the disciplinary consequences for violations, in alignment with the program’s compliance standards.

If you have any questions regarding this report, contact Austin Durall at 209-6211 or me at 209-6212.

*Chris McCollough*

**Chris McCollough, County Auditor**

**Staff Assigned to Audit**

Austin Durall, Audit Manager

Maricela Madera, Staff Auditor

Copy: Claire McVay, Chief of Staff

Patricia Mitchell, Legislative Administrator

Mary Ellen Heuton, Chief Financial Officer, HCS

Kim Myers, Director of Accounting, HCS

Allison Coulter, Purchase Card Administrator and Vendor Manager, HCS

Lindsay Cepero, Director of Procurement, HCS

## Hamilton County Schools

## Top Spend Vendors (Total Purchases &gt; \$40,000)

Twelve Month Period January 1, 2024 through December 31, 2024

Rank	Vendor	Total Purchases	# of Trans.
1	Republic	608,594	8
2	Trane US Inc	510,066	45
3	Chattanooga Electric	368,021	64
4	Motorola Solutions	266,827	10
5	Rg & Associates	251,044	48
6	Wholesale Supply Group	239,511	67
7	Beeler Impression	86,309	26
8	Mid South Electrical	83,958	19
9	Icims, Inc.	75,871	3
10	Inline Electric Supply	72,487	18
11	Zonar	70,488	5
12	Kenny Pipe & Supply	67,683	34
13	Batteries + Bulbs	59,594	32
14	Dixie Industrial	58,462	41
15	The Home Depot	54,902	290
16	Ferguson Ent	50,715	57
17	School Outfitters Llc	49,988	1
18	Pye Barker	49,860	23
19	Breeding Insulation	48,492	8
20	Zeager Bros	44,512	6
21	Chattanooga Fire Inc	43,245	30
22	Walmart	42,872	318
Sub-Total		\$ 3,203,499	1,153
All Others Vendors		1,206,704	2,893
Grand Total		\$ 4,410,203	4,046

**NOTE:** The above list represents all vendors from which the HCDE purchased over \$40,000 of goods and services via the P-Card Program during the period January 1, 2024 through December 31, 2024. The total purchases from these 22 vendors account for 72% of the total P-Card spend for the period.

**Hamilton County Schools**  
**P-Card Rebates History**  
**Calendar Years 2019 through 2024**

<b>Rebate</b>		
<b>Year</b>	<b>Year Paid</b>	<b>P-Card Rebates</b>
2019	2020	\$ 5,203
2020	2021	31,036
2021	2022	54,205
2022	2023	82,966
2023	2024	78,787
2024	2025	54,986
	TOTAL	<u>\$ 307,183</u>