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## HAMILTON COUNTY, TENNESSEE

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

From: Chris McCollough, County Auditor

Date: April 13, 2026

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, 2025, through December 31, 2025. 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, 2025, through December 31, 2025:

Number of active P-Card users	176
Number of vendors used *	537
Number of P-Card transactions	3,569
Total P-Card expenditures	\$ 4,104,233

\*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-transaction and a monthly 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 2026, HCS received \$39,949 in rebate incentives for calendar year 2025. 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, 2025, through December 31, 2025, 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 one violation and other controls that need improvement in the P-Card program. This exception and our recommendations are as follows:

#### **Duplicate Charge**

**Observation** – An employee had a duplicate charge of \$895.00. The employee contacted the vendor regarding a duplicate charge on their P-Card. However, the employee never followed up on the issue, and the funds were not credited back to the card.

**Recommendation** – We recommend that the cardholder receive a violation for failing to follow up with the vendor and ensure the funds were credited back to the card.

**Management Response** – A violation notice was issued to the P-Card holder related to the incident and saved to P-Card holder's records. A discussion was held with the cardholder to

emphasize the importance of proper management of credit issuance where a charge discrepancy occurs.

### **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 address or prohibit the use of chaining and splitting, leaving 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** – HCS will update the P-Card Policies and Procedure Manual to more clearly define and prohibit split, chained, and stringed transactions. In conjunction with this update, the P-Card Administrator will issue a formal notice to all cardholders and coordinators outlining the audit finding and providing clarification on prohibited practices.

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  
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 > \$40,000)**  
**Twelve Month Period January 1, 2025 through December 31, 2025**

<b>Rank</b>	<b>Vendor</b>	<b>Total Purchases</b>	<b># of Trans.</b>
1	Republic Services	856,992	11
2	Chattanooga Electric Supply	321,420	52
3	Wholesale Supply Group	299,700	52
4	Trane US	242,346	54
5	RG & Associates	211,302	43
6	Discovery Education	164,819	1
7	Kenny Pipe & Supply	138,219	17
8	McGraw-Hill K-12	102,668	3
9	Adman Electric	90,617	9
10	Riverside Insights	74,120	3
11	Dixie Industrial Services	65,807	37
12	Chattanooga Fire Inc	65,178	32
13	VSP Raptor Technologies	63,632	2
14	Makemusic Inc.	61,249	1
15	Zeager Bros Inc	56,787	14
16	Breeding Insulation Co.	45,116	3
Sub-Total		<u>\$ 2,859,972</u>	<u>334</u>
All Others Vendors		1,244,261	3,235
Grand Total		<u>\$ 4,104,233</u>	<u>3,569</u>

**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, 2025 through December 31, 2025. The total purchases from these 16 vendors account for 70% of the total P-Card spend for the period.

**Hamilton County Schools  
P-Card Rebates History  
Calendar Years 2019 through 2025**

<b>Rebate 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
2025	2026	39,949
	<b>TOTAL</b>	<u>\$ 347,132</u>