

Hamilton County, Tennessee

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

April 2023



OFFICE OF INTERNAL AUDIT
455 North Highland Park Avenue
CHATTANOOGA, TENNESSEE 37404

WESTON WAMP
COUNTY MAYOR

BOARD OF COMMISSIONERS
D.C. (CHIP) BAKER
GREG BECK
MIKE CHAUNCEY
JEFF EVERSOLE
JOE GRAHAM
LEE HELTON
STEVE HIGHLANDER
WARREN MACKEY
DAVID SHARPE
GENE-O SHIPLEY
KEN SMITH



JENNETH RANDALL, CPA, CGFM, CCFO
COUNTY AUDITOR

CHRIS MCCOLLOUGH, CPA, CCFO
ASSISTANT COUNTY AUDITOR

AUDIT STAFF
AUSTIN DURALL, CFE, CGFM, CCFO
PHILLIP EDWARDS, CPA, CCFO
JAMESETTA GRAY, CCFO
TRACY HOLL
ROGER KINCER, CCFO
MARICELA MADERA
JOHNETTA TRUSS, CCFO

HAMILTON COUNTY, TENNESSEE

OFFICE OF INTERNAL AUDIT

To: Weston Wamp, County Mayor
Chip Baker, Chair – Hamilton County Commission
Hamilton County Commissioners
Dr. Justin Robertson, Superintendent – Hamilton County Schools
Tiffanie Robinson, Chair – Hamilton County School Board
Hamilton County School Board members

From: Jenneth Randall, County Auditor

Date: April 4, 2023

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, 2022 through December 31, 2022. 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 primary purpose for establishing HCS P-Card Program was to create an efficient, well-controlled, and cost-effective method for purchasing and paying for small dollar 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, 2022, through December 31, 2022:

➤ Number of active P-Card users	167
➤ Number of vendors used *	801
➤ Number of P-Card transactions	6,918
➤ Total P-Card expenditures	\$ 5,854,661

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

HCS use 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
- \$2,500 per single transaction and \$10,000 monthly.

The only exception to the P-Card spending profile limits above are for cards assigned to Purchasing and Information Technology. The Purchasing card has a \$250,000 single transaction limit and a \$500,000 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 is responsible for approving 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 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 2023, HCS received \$82,966 in rebate incentives for calendar year 2022. 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 purchases using P-Cards appeared to be appropriate expenditures for the use and benefit of HCS.

AUDIT PROCEDURES

Our audit procedures covered P-Card transactions from January 1, 2022, through December 31, 2022, 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 HCS P-Card Procedures Guide;
 - P-Card transactions are posted to 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 represented:
 - Duplicate charges;
 - Chained/split purchases (i.e., transactions in excess of the single transaction card limits that were split into multiple transactions in order 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 HCS internal process for verifying the accuracy of the rebate earned and paid by Truist.

AUDITORS' CONCLUSION

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 the purchase of 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 found a few violations of P-Card procedures, which were all found to be corrected by the HCS P-Card Administrator Christi Hendricks prior to our audit. We appreciate her diligent purview of this program, in addition to assisting us during our work.

If you have any questions regarding this report, contact Chris McCollough at 209-6212 or me at 209-6210.



Jenneth Randall, County Auditor

Staff Assigned to Audit

Chris McCollough, Assistant County Auditor

Tracy Holl, Staff Auditor

copy: Claire McVay, Chief of Staff
Lee Brouner, Administrator of Finance
Vonda Patrick, Assistant Administrator of Finance
Patricia Mitchell, Legislative Administrator
Mary Ellen Heuton, Chief Financial Officer, HCS
Kim Myers, Director of Accounting, HCS
Christi Hendricks, Procurement Card and Technology Administrator, HCS

Hamilton County Department of Education
Top Spend Vendors (Total Purchases > \$40,000)
Twelve Month Period January 1, 2022 through December 31, 2022

Rank	Vendor	Total Purchases	# of Trans.
1	The Trane Company	\$ 985,024	14
2	Republic Services Tras	505,402	2
3	Chattanooga Electric Supply	393,025	108
4	Wholesale Supply Group	293,246	167
5	Icims, Inc.	161,498	31
6	Rg & Associates Inc	156,297	195
7	Beeler Impression Prod	123,539	235
8	Makemusic	121,827	2
9	Intrado Interactive	113,053	756
10	Fastenal Company	107,784	130
11	Discovery Education	106,600	1
12	The Home Depot	98,025	109
13	School Outfitters	90,268	96
14	lxl School Subscript	90,250	1
15	W J Oneil Company	89,729	468
16	Motorola Solutions	85,436	67
17	Inline Electric Supply	73,264	34
18	Zeager Bros Inc	71,595	5
19	Cos Business Products	63,285	39
20	Raptor Technologies	58,285	31
21	Zonar Systems Inc	52,688	14
22	Kenny Pipe And Supply	51,098	26
23	Adman Electric	47,800	110
24	Staples Inc	44,930	193
	Sub-Total	\$ 3,983,950	2,834
	All Others Vendors	1,870,711	4,084
	Grand Total	\$ 5,854,661	6,918

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, 2022 through December 31, 2022. The total purchases from these 24 vendors account for 68% of the total P-Card spend for the period.

**Hamilton County Department of Education
P-Card Rebates History
Calendar Years 2019 through 2022**

Rebate Year	Year Paid	P-Card Rebates
2019	2020	\$ 5,203
2020	2021	31,036
2021	2022	54,205
2022	2023	82,966
TOTAL		\$ 173,410