



## HAMILTON COUNTY, TENNESSEE

### INTERNAL AUDIT OFFICE

To: Weston Wamp, County Mayor  
Hamilton County Commissioners  
Audit Committee

From: Chris McCollough, County Auditor *cm*

Date: June 12, 2025

Subject: Audit of Procurement Card (P-Card) Activity

We audited the Hamilton County Procurement Card (P-Card) program for the statement periods December 26, 2023, through December 25, 2024. Our audit included a review of internal controls for P-Cards, compliance testing of the designed internal controls, and testing of expenditures. The following represents a summary of our audit procedures performed and conclusions reached.

### **BACKGROUND**

In August 2003, the Hamilton County Board of Commissioners passed Resolution No. 803-46, which authorized Hamilton County to use county-issued P-Cards to pay for certain goods and services and contract with SunTrust Bank to administer the P-Card program. The program was rebid in 2012, and SunTrust (now Truist Bank) was awarded the contract per Resolution 1112-6.

The county's P-Card program aims to develop a more efficient and effective purchasing method for low-cost, high-volume items, while maintaining adequate internal controls over the procurement process. Hamilton County's P-Card is issued by VISA and operates similarly to a standard credit card.

However, the county's P-Card is designed to have more internal controls than a standard credit card. The significant additional controls include:

- ability to limit uses of the card to certain merchant types;
- ability to limit single transactions by dollar amount;
- ability to limit monthly transactions by each cardholder by dollar amount;
- timely email notification to the cardholder and the cardholder's supervisory personnel, if applicable, of each use of the card;

- timely review of all receipts by an alternate employee; and
- monthly approval by the respective elected official, division administrator, or department director.

The following represents a summary of the use of the county's P-Cards during the statement periods December 26, 2023, through December 25, 2024, with comparative totals for the last two audit periods:

	Period ending December 2024	Period ending December 2023	Period ending December 2022
No. of issued P-Cards	430	411	407
No. of vendors used	1,749	1,674	1,617
No. of P-Card transactions	20,289	19,919	18,595
Total P-Card expenditures	\$ 5,182,401	\$ 4,429,139	\$ 4,255,545

See **Exhibit I** for a summary of expenditures by department during the months audited and **Exhibit II** for a listing of the major vendors utilized.

The classifications of P-Cards available to county employees are as follows:

1. Level I - base card with limits of \$999 per single transaction and \$3,000 monthly spending without authorization for travel-related expenditures;
2. Level II - card with limits of \$2,499 per single transaction and \$5,000 monthly spending with authorization for travel-related expenditures;
3. Level III - card with limits of \$6,000 per single transaction and \$20,000 monthly spending with authorization for travel-related expenditures.

**Note: (Restricted Use Card Profile Request)** *This profile is limited to departments with high & sustained use. The availability of this profile will be needs-based, determined by an analysis of departmental / employee spending patterns by Procurement, including but not limited to exceeding 75% of the monthly spending limit for more than 6 months per year. New cardholders will not typically be placed in this category. The director/administrator/elected official's explanation of the need for this card profile must be included below for procurement consideration.*

4. Level IV - card with limits of \$12,500 per single transaction and \$25,000 monthly spending with authorization for travel-related expenditures.

Overall, control of the P-Card program is centered in the Hamilton County Procurement Department, which is responsible for issuing P-Cards and conducting training to approved employees, maintaining documentation of all authorizations for issuances of P-Cards, and training for all department coordinators. The procurement department maintains documentation related

to the P-Card program, which includes the 'Cardholder Enrollment Form' completed by the elected official, administrator, or director authorizing the procurement department to issue a P-Card to an employee; and the completed 'Cardholder Agreement – Procurement Card' form for all employees issued a P-Card.

Departmental control over the use of the P-Cards is vested in each department/division to the department coordinators. Department coordinators are responsible for reviewing all P-Card purchases for assigned cardholders, obtaining detailed support for all uses of the P-Card from the assigned cardholders, processing the expenditure through the county's P-Card computer application, and coordinating with the accounting department for the posting of the P-Card expenditure into the county's accounting system. After this review, the elected official, division administrator, or department director must approve P-Card expenditures monthly.

Payment of the monthly P-Card bill is processed by the county's procurement card accountant, an accounting department employee. This employee is responsible for confirming that charges listed on the P-Card monthly billing are approved by the respective department coordinator and elected official, division administrator, or department director before authorizing payment for the total of the monthly charges.

The county's contract with Truist Bank (which administers the P-Card program) provides a rebate incentive paid to the county based on the volume of expenditures processed. The county received a rebate of **\$58,998** (**\$55,449** P-Card purchases, **\$3,549** payable purchases) for expenditures processed through the P-Card program for calendar year 2024. See **Exhibit III** for a list of P-Card rebates earned yearly through the P-Card program.

## **AUDIT OBJECTIVES**

The objectives of our audit procedures were:

- To review the internal control procedures over the issuance and use of P-Cards to ensure they are controlled, reported, and safeguarded against fraud, waste, and abuse;
- To verify that all P-Card expenditures followed state law, county procurement rules, and the County's Procurement Card Procedures Guide;
- To verify that all expenditures using P-Cards were valid expenditures for the use and benefit of Hamilton County; and
- To assess the effectiveness of the county's P-Card program in achieving efficiencies in the procurement of low-cost, high-volume items.

## **AUDIT PROCEDURES**

Our audit procedures covered the P-Card statement periods from December 26, 2023 through December 25, 2024, and included the following:

1. Test of internal controls over the issuance and use of P-Cards, including tests of the effectiveness of controls built into the P-Cards, controls over the proper use by county employees, and controls over the reporting of these transactions.
2. Detail tests of sampled transactions to ensure that:
  - a) The county limits the issuance of P-Cards to employees properly authorized by appropriate personnel;
  - b) Adequate support is maintained for all P-Card expenditures, included in the respective procurement card log, and reviewed adequately for program compliance by the appropriate personnel.
  - c) P-Card transactions for travel-related expenditures are adequately supported and detailed on the respective employee's travel expense report filed in the accounting department;
  - d) P-Card transactions are posted adequately into the county's general ledger system on a timely basis; and
  - e) P-Card transactions are included on the monthly billing, and proper payment for the P-Card transactions is remitted to the paying agent (Truist Bank) on a timely basis.
3. Tests of P-Card transactions during the audit period to ensure that no transactions contain:
  - a) Duplicated charges;
  - b) Chained/split purchases (i.e., transactions over the single-transaction card limits which split into multiple transactions to bypass the respective card's procurement limit);
  - c) Disputed and/or fraudulent charges that were unresolved;
  - d) Individual expenditures over the card's respective transaction limit; and
  - e) Purchases not for the use and benefit of Hamilton County.
4. Review the P-Card program and verify that the rebate was computed correctly, deposited, and recorded in the county financial records timely.

## **AUDITORS' OPINION & FINDINGS**

In our opinion:

- the county's P-Card program appears to be accomplishing its primary goals of (1) providing an efficient method for procurement of specific goods and services and (2) maintaining adequate internal controls over the purchase of lower-cost, high-volume items; and
- P-Card transactions (including the issuance to authorized employees, purchases of goods and services using P-Cards, recording of activity in the county's financial records, payment of the monthly billing for P-Card expenditures, receipt of the rebates 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:

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

**Observation** – The county established controls over P-Card transactions, which are intended to limit individual transactions to the dollar amount assigned to each card (transaction limits are \$999, \$2,499, and \$6,000, depending on the card type). During our audit, we noted two (2) purchases out of thirty (30) tested transactions in which the P-Card transaction limit was bypassed by either splitting or chaining. Per the Hamilton County P-Card Policies and Procedures Guide, Section 3, “Key Procedures,” number 23, chaining and splitting purchases using a P-Card is a violation. Any transaction that uses chaining or splitting must be written up as a violation.

**Recommendation** – P-Card policy states that each P-Card coordinator is responsible for verifying that chaining and splitting have not occurred. Coordinators should be reminded of this responsibility, and cardholders should be reminded that these methods used to circumvent procurement thresholds are violations. The two (2) employees who either used splitting or chaining should receive a written warning for the violation, which they must sign. The signed warning should be kept with the P-Card administrator and filed with HR.

**Management Response** – P-card violation forms have been issued, and all coordinators will be retrained at the annual mandatory post-audit review training. Coordinators will be advised that following this audit period and the review training that further violations by cardholders under their purview that are not caught and reported by the coordinator may result in the coordinator also receiving a violation form in addition to the cardholder.

### **Fuel Usage**

**Observation** – During the audit, we identified where twenty-six (26) county employees used P-Cards to purchase fuel in the State of TN. Sixteen (16) of those employees have PIN numbers for fuel cards, who should have used the fuel card to purchase fuel. Eight (8) of the employees have

take-home vehicles and purchased fuel within the State of TN. These employees should have used the fuel card assigned to the vehicle. There was one (1) employee in the county attorney's office who used their P-Card to purchase fuel for a personal vehicle instead of reporting mileage for reimbursement.

**Recommendation** – The procurement department should send an email reminding cardholders to use the fuel card assigned to the vehicle when making fuel purchases, because purchases with their P-card are not tax-exempt. The fuel card is exempt from federal fuel taxes nationwide and from both federal and state taxes in Tennessee. Employees using personal vehicles for travel should use mileage reimbursement, not their P-Card. Procurement should update the policy to specifically state that employees using personal vehicles should request mileage reimbursement and not use their P-Card to purchase fuel. Additionally, the P-Card policy should be updated to state that P-Cards should not be used to purchase fuel in any circumstance other than while driving a rental car for county business. When operating a county vehicle, fuel must be purchased using the vehicle's designated fuel card. If employees have issues using the vehicle fuel card and must use their P-Card, they must immediately contact the P-Card administrator.

**Management Response** – Audit has notified HCSO that their authorization to use P-Cards for the purchase of fuel has been rescinded, and that HCSO must follow P-Card policy. As part of the post-audit P-Card Policy update, clarification will be added to identify the proper process to follow, as well as define extenuating circumstances under which the P-Card may be used to purchase fuel as a last resort. Notification and periodic reminders will be sent to all cardholders, and coordinators will be retrained at the annual mandatory post-audit review training. An emphasis will be placed on the requirement that any use of a P-Card to purchase fuel must be fully documented, and both the cardholder and the coordinator will be required to immediately report transactions of this type to the P-Card Administrator.

### **Sales Tax (Repeat Finding)**

**Observation** – We discovered ten (10) purchases out of two-hundred and ninety-two (292) transactions that were charged sales tax during the audit period, which were never refunded (totaling \$256.03).

**Recommendation** – Procurement should send an email reminding cardholders to provide tax-exempt certificates to vendors before making purchases. If employees discover that sales tax was charged on a purchase, then they must take the necessary steps to have it removed. In addition, the policy states that P-Card coordinators are responsible for verifying that sales tax was not paid on applicable purchases and should be reminded by email. Procurement should email the ten (10) employees and their coordinators to remind them of their responsibility regarding sales tax. Procurement should send the employees a written warning for the violation that they must sign. The warning should be kept with the P-Card administrator and filed with HR.

**Management Response** – P-card violation forms have been issued, and all coordinators will be retrained at the annual mandatory post-audit review training. Coordinators will be advised that following this audit period and the review training that further violations by cardholders under their purview that are not caught and reported by the coordinator may result in the coordinator also

receiving a violation form in addition to the cardholder.

## **Prior Year Violations**

**Observation** – During our audit, we reviewed P-Card activity for all employees with P-Card violations during the prior audit period. We found four (4) employees who committed another violation in the current audit period. These violations included splitting and paying sales tax. These employees should have been sent a letter after the conclusion of the last audit for the initial warning.

**Recommendation** – Procurement should contact these individuals and see if there was any effort to rectify the current violation. Employees who commit the same violation should have their P-Card suspended and potentially face other disciplinary action. The employees who committed a new violation should be sent a warning letter.

**Management Response** – Coordinators will be advised of this change during the annual mandatory post-audit review training. P-Card Policy will be updated following completion of the P-Card module implementation in CentralSquare.

## **Additional Recommendations for Program Improvement**

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

## **Audit Policy Update**

**Recommendation** – Due to the potential risk P-Cards present and repeat findings, we believe there needs to be an update to the P-Card policy regarding audit's role in the review process. Beginning July 1, 2025, internal audit will be randomly selecting employees and looking at every single one of their transactions on a quarterly basis. This will add an ongoing added layer of oversight, which will help hold employees accountable. Procurement should make this policy change six months from the issuance date of this report and notify all P-Card users of the change.

**Management Response** – Coordinators will be advised of this change during the annual mandatory post-audit review training. P-Card Policy will be updated following completion of the P-Card module implementation in CentralSquare.

## **Amazon**

**Observation** – During the audit, we chose a sample of sixty-seven (67) Amazon transactions out of three thousand three-hundred and forty-two (3,342) Amazon purchases for the year. The sample was calculated using a ninety (90) percent confidence level and a ten (10) percent margin of error. We found where both Prime memberships and shipping costs were being purchased, so we

expanded the sample size to one hundred (100) transactions. In addition to the sample, we identified where Amazon Prime memberships were purchased for twenty-five (25) employees across eighteen (18) departments from all of the Amazon transactions for the period. The total cost for these memberships was \$3,712.00. We discovered that other departments were incurring shipping and handling costs due to not having Amazon Prime accounts, which totaled \$150.00. The volume of Amazon purchases using these decentralized accounts could result in significant costs to the county both annually and over time. Furthermore, prime memberships offer benefits that employees could use for personal use, which do not benefit the county.

**Recommendation** – We recommend creating a centralized Amazon account for the county, so departments aren't using departmental or personal Amazon accounts. This would help increase internal controls over this high-risk area of purchases while simultaneously eliminating unnecessary costs. Procurement should add to the P-Card policy that the Hamilton County Amazon account must be used when making Amazon purchases, and purchases made using other Amazon accounts will constitute violations under the P-Card policy. The policy should also clearly state that purchases must be shipped to the department, not personal addresses. This policy change should be made within one month after creating the centralized Amazon account. Procurement should send a policy change agreement form to all P-Card users notifying them of the change, which they must sign. The forms must be kept with the P-Card administrator.

**Management Response** – The County Amazon master account was implemented with a go-live date of May 8, 2025. Procurement is actively working through the migration of all county-identified email domains that already had Amazon accounts in existence at the time of implementation. Any attempt by an individual to establish an Amazon account utilizing a county email domain following implementation will require electronic pre-approval by the county through the Amazon master account. Initial notifications have gone out, with further communications and policy updates to follow.

## **Gift Purchases**

**Observation** – While the current P-Card policy prohibits the purchase of gift cards/certificates with a P-Card, the policy does not clearly state guidelines and restrictions for gifts themselves. During the audit, we found that gift baskets, birthday/Christmas cards, and decorations were purchased using P-Cards and given as gifts. The department purchased a gift basket for the death of a nonemployee, along with four (4) additional baskets for future sympathy gifts.

**Recommendation** – We recommend revising the current P-Card policy to provide specific guidelines on acceptable and prohibited gift purchases. The policy should clearly state when gifts are allowable and to whom they can be given. It should further elaborate and state that P-Cards cannot be used to purchase sympathy gifts for the deaths of non-employees.

**Management Response** – The P-Card Policy incorporates the Hamilton County Government Employee Handbook by reference (Section 521 – Business Expense Policy), Procurement recommends Audit follow up with the appropriate department(s) for the recommendation of clarification/update. Upon any revision of the Hamilton County Government Employee Handbook, P-Card Policy will be revised as needed to ensure compliance.



## **Supporting Documentation for Purchases**

**Observation** – In our sample, we noted several invoices that seemed unusual for departments or lacked clear explanations for the purpose of the purchase. This required audit to reach out to the employees for clarification on the intention of each purchase, which in turn led to delays and inefficiencies in the review process.

**Recommendation** – We recommend that cardholders be required to include a description and purpose of all items purchased using a P-Card. The procurement department should update the policy to require cardholders to state the clear purpose of every purchase made using a P-Card. Additionally, the policy should state that the P-Card coordinator is responsible for verifying that cardholders are providing supporting descriptions for purchases. This will increase transparency and help streamline the audit process. This policy update should be made within six months of the issuance date of the audit report.

**Management Response** – Procurement is currently working on the implementation of the P-card module through CentralSquare, with revisions to the P-Card policy to follow after completion of implementation. Coordinators will be trained at the annual mandatory post-audit review training and advised that including description is being rolled out as a current best practice with policy update to follow, at which time it will become mandatory going forward.

We appreciate the help of the procurement department staff during our audit. If you have any questions regarding this report, please call Austin Durall, Audit Manager, at 209-6211 or me at 209-6212.



**Chris McCollough, County Auditor**

**Staff Assigned to Audit**

Austin Durall, Audit Manager

J.C. Clonts, Staff Auditor

Copy: Claire McVay, Chief of Staff  
David Roddy, Chief Operating Officer  
Lee Brouner, Chief Financial Officer  
Vonda Patrick, Deputy Chief Financial Officer  
Jerald Carpenter, Director of Procurement & Fleet Management

**Hamilton County, Tennessee**  
**Summary of P-Card Expenditures by Department**  
**Twelve Month Period December 26, 2023 through December 25, 2024**

<b>Count</b>	<b>Department</b>	<b>Total Purchases</b>	<b>No. of Trans.</b>
1	Assessor of Property	\$ 7,823	37
2	Chief of Staff	13,173	47
3	Circuit Court Judges	16,890	157
4	Clerk & Master	5,518	58
5	County Attorney	11,698	99
6	County Auditor	14,598	84
7	County Board of Commissioners	34,296	144
8	County Clerk	36,582	156
9	County Election Commission	90,794	377
10	County Mayor	46,733	286
11	Criminal Court Clerk	16,806	66
12	Criminal/Sessions Court Judges	29,487	159
13	District Attorney	23,723	188
14	Economic Community Development	117,399	577
15	Emergency Management	287,287	1,017
16	Engineering	25,593	150
17	Finance Division	1,024,956	1,078
18	Hamilton Co Alternative Sentencing Programs Dept	38,238	332
19	Health Division	604,928	3,561
20	Human Resources Division	22,128	161
21	Juvenile Court	98,542	559
22	Maintenance	257,588	1,656
23	Parks & Recreation	589,321	2,116
24	Public Defenders Office	6,417	37
25	Public Works	1,161,906	3,712
26	Sheriff	350,502	2,035
27	Trustee	13,066	102
28	Various County Administrators (3)	3,231	32
29	Various County Elected Officials (8)	145,347	679
30	WWTA	87,829	627
<b>TOTALS</b>		<b>\$ 5,182,401</b>	<b>20,289</b>

## Hamilton County, Tennessee

## Major P-Card Vendors (Total Purchases &gt; \$40,000)

Twelve Month Period December 26, 2023 through December 25, 2024

Count	Department	Total Purchases	No. of Trans.
1	Amazon	\$ 486,905	3,342
2	Goodyear	146,557	47
3	Esri	143,591	4
4	Lowes	140,476	824
5	Gulf States Distributors	94,600	11
6	Walmart	93,101	733
7	Quill	91,338	544
8	Staples	89,590	499
9	Mtn View Ford Lincoln	71,781	178
10	Lee-Smith Inc	68,546	158
11	Home Depot	67,235	517
12	Oreilly	62,749	493
13	Unifirst Corporation	57,109	26
14	Chattanooga Tractor Equipment	53,438	81
15	Jacobs Paper Co	52,697	89
16	Northern Tool & Equipment	49,067	177
17	Ace Hardware	47,714	822
18	Sam's Club	46,631	165
19	Fleetpride	45,650	96
20	Redwood Toxicology Lab	44,810	28
21	Truck N Trailers Usa	41,424	76
	All others ( 1,728 vendors )	3,187,391	11,379
<b>TOTALS</b>		<b>\$ 5,182,401</b>	<b>20,289</b>

**NOTE:** The above represents a list of sixteen (21) vendors from which Hamilton County procured the most goods and services (38%) using P-cards during the twelve month period of December 26, 2023 through December 25, 2024.

**Hamilton County, Tennessee**  
**P-Card Rebates**  
**Calendar Years 2014 through 2024**

<b>Rebate Year</b>	<b>Year Paid</b>	<b>P-Card Rebates</b>	<b>Payable Rebates</b>	<b>Total</b>
2014	2015	41,367	16,146	57,513
2015	2016	58,878	28,716	87,594
2016	2017	40,969	27,662	68,631
2017	2018	43,337	23,013	66,350
2018	2019	46,406	12,376	58,782
2019	2020	44,677	11,988	56,665
2020	2021	46,202	9,478	55,680
2021	2022	43,321	10,605	53,926
2022	2023	46,220	6,927	53,147
2023	2024	47,231	5,629	52,860
2024	2025	55,449	3,549	58,998
TOTAL		<u>\$ 514,057</u>	<u>\$ 156,089</u>	<u>\$ 670,146</u>

**NOTE:** Effective May 2013, the County established a credit account with Truist Bank allowing P-Card payments to be made to certain frequently used vendors. This account not only eliminated costly processing of paper checks, but also increased the revenue rebates to the County as shown above.