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HAMILTON COUNTY, TENNESSEE

INTERNAL AUDIT OFFICE

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

From: Chris McCollough, County Auditor

Date: June 1, 2026

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

We audited the Hamilton County Procurement Card (P-Card) program for the statement periods December 26, 2024, through December 25, 2025. 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, 2024, through December 25, 2025, with comparative totals for the prior two audit periods:

	Period ending December 2025	Period ending December 2024	Period ending December 2023
No. of issued P-Cards	415	430	411
No. of vendors used	1,844	1,749	1,674
No. of P-Card transactions	20,363	20,289	19,919
Total P-Card expenditures	\$ 5,004,396	\$ 5,182,401	\$ 4,429,139

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 **\$60,213** (**\$55,792** P-Card purchases, **\$4,421** payable purchases) for expenditures processed through the P-Card program for calendar year 2025. 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, 2024 through December 25, 2025, 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 are 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's financial records in a timely manner.

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 – We found one (1) P-Card invoice that was split into two separate transactions in order to remain within the cardholder's single-purchase spending limit. The transactions were processed by the cardholder's assistant rather than the cardholder directly. Documentation indicated that the assistant contacted procurement for guidance regarding the transaction; however, the purchase was ultimately processed in a manner inconsistent with the guidance provided and P-Card policy. Additionally, the assistant should not have used the cardholder's P-Card.

Recommendation – P-Card Policies & Procedures Key Procedures #23 prohibits the splitting of transactions to avoid established single-purchase limits. 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 cardholder should receive a violation for allowing another employee to use their card. The assistant should receive a violation for splitting the transaction and using someone else's card, and the cardholder's coordinator should receive a violation for failing to question it during their review.

Management Response – The cardholder will receive a written violation for failure to comply with policy, specifically for the unauthorized use of another employee's card and for splitting a purchase. Procurement will follow up with the cardholder regarding these violations and will discuss an appropriate plan of action moving forward.

Missing Documentation

Observation – We discovered three (3) receipts were missing from an employee’s February 2025 P-Card log folder, totaling \$2,705.06. Due to insufficient support, we were unable to substantiate the transaction.

Recommendation – Procurement should contact both the coordinator and cardholder to see if there was any effort to rectify the violation. It is the P-Card coordinator's responsibility to ensure that required receipts are present and complete during their review of cardholder transactions and follow up with cardholders to resolve missing receipts before signing the P-Card log. If receipts are not provided, the cardholder should give an explanation that includes a description, date of purchase, vendor's name, and why there is no supporting documentation to procurement. If procurement finds that the proper steps were not taken to resolve the violation, then both the coordinator and cardholder should each receive a written violation.

Management Response – The employee subsequently provided all receipts that were previously missing from the log. He has been instructed to ensure all receipts are accounted for and properly documented prior to signing the log. A written violation will be issued to both the cardholder and the director for not verifying that all receipts were accounted for. The coordinator associated with this matter is no longer employed. The importance of verifying that all receipts are present and accounted for will be addressed during Post Audit Review Training with coordinators to prevent recurrence.

Sales Tax (Repeat Finding)

Observation – We discovered five (5) transactions that were charged sales tax during the audit period, which were never refunded for a total of \$256.03.

Recommendation – Procurement should send an email reminding cardholders to provide tax-exempt certificates to vendors before making purchases. If cardholders 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 five (5) employees and their coordinators to remind them of their responsibility regarding sales tax. Procurement should send both the cardholder and their coordinator a written warning for the violation.

Management Response – Procurement will send communication to all cardholders reminding them of their responsibility to provide tax-exempt certificates to vendors prior to making purchases. The communication will also emphasize that, if sales tax is mistakenly charged, cardholders are required to take appropriate steps to have the tax removed or refunded. Additionally, procurement will notify all P-Card coordinators of their responsibility to review transactions and verify that sales tax has not been paid on applicable purchases, in accordance with established policy. Procurement will directly contact the five (5) employees identified, along with their respective coordinators, to reinforce these requirements. Written warnings will be issued to

both the cardholders and coordinators for failure to adhere to the P-Card policy regarding sales tax compliance.

Insufficient Purchase Description

Observation – During the audit, we found P-Card transactions where supporting documentation did not include sufficient descriptions to substantiate the business purpose of the expenditure. Specifically, one (1) flower purchase made by an employee did not include documentation explaining the purpose for which the flowers were purchased. Additionally, three (3) food purchases were made by two employees, which did not include a description of the business purpose of the meeting or a list of attendees.

Recommendation – Procurement should notify all cardholders and coordinators and remind them of the P-Card Policies & Procedures Key Procedures #13 documentation requirements with cardholders, including the need for clear descriptions of business purposes and attendee information when applicable. In addition, P-Card coordinators should be reminded of their responsibility to verify that purchase descriptions are complete and sufficient during their review of cardholder transactions and follow up on unclear information prior to approval. Procurement should contact each cardholder as well as their respective coordinator regarding these violations and issue both the cardholder and coordinator a written violation for their failure to adhere to the P-Card policy.

Management Response – Procurement will notify all cardholders and coordinators to reinforce compliance with P-Card Policies & Procedures, specifically Key Procedure #13 regarding required documentation. This communication will emphasize the importance of providing clear and detailed descriptions of the business purpose for all purchases, as well as including attendee information when applicable. Additionally, P-Card coordinators will be reminded of their responsibility to thoroughly review transactions to ensure that all purchase descriptions are complete, accurate, and sufficient prior to approval. Coordinators will also be instructed to follow up with cardholders to resolve any unclear or incomplete information before approving transactions. Procurement will contact each cardholder and their respective coordinator associated with these violations. Written violations will be issued to both the cardholder and coordinator for failure to adhere to established P-Card policies.

Prohibited Purchase

Observation – We found where an employee purchased an e-gift card with their P-Card. The purchase of e-gift cards is not permitted under the P-Card Policies & Procedures Guide Key Procedures #11.

Recommendation – P-Card Policies & Procedures prohibit the purchase of gift cards, including electronic gift cards, regardless of purpose. Procurement should send an email to all cardholders reminding them that these purchases are prohibited under the P-Card policy. In addition, an email should be sent to coordinators detailing their responsibility to review transactions to identify prohibited items and ensure corrective action is taken when such purchases occur. We recommend that the employee reimburse the county for the prohibited purchase. Procurement should send

both the cardholder and coordinator a written violation form for their failure to adhere to the P-Card policy.

Management Response – Procurement will send both the cardholder and coordinator a written violation form for their failure to adhere to the P-Card policy. Procurement will also send out a system-wide notification reminding the cardholders and coordinators that gift cards are a prohibited purchase with the P-Card.

Duplicate Purchase/Documentation

Observation – During duplicate transaction testing, two transactions associated with an employee included two identical email receipts for a training expense within her P-Card log folder. The documentation provided appears to be a duplicate from a separate training expense she had for the same amount; however, the charge itself appeared to represent a single valid county business expense. An additional duplicate transaction included a food purchase made by an employee, and the supporting documentation indicates the invoice may have been paid twice.

Recommendation – Cardholders should ensure documentation included in the P-Card log folder is accurate, complete, and not duplicated prior to submission. Department coordinators should review supporting documentation for accuracy and completeness during the reconciliation and approval process. If after research, it is determined that the duplicate charges were never refunded, then both the cardholders and their coordinator should get a violation.

Management Response – The policy will be updated to require each cardholder to include a description for every purchase. Coordinators will be responsible for verifying that each transaction contains a sufficient and appropriate description. The employee with the duplicate purchase will receive a written violation for failing to verify that the refund was issued for the duplicate purchase.

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

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J.C. Clonts, Staff Auditor

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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, 2024 through December 25, 2025

Count	Department	Total Purchases	No. of Trans.
1	Assessor of Property	\$ 16,769	53
2	Chief of Staff	30,001	144
3	Circuit Court Judges	32,467	283
4	Clerk & Master	5,793	72
5	County Attorney	19,983	120
6	County Auditor	15,306	57
7	County Board of Commissioners	1,106	9
8	County Clerk	57,133	162
9	County Commission	36,249	127
10	County Mayor	48,008	401
11	Criminal Court Clerk	82,720	165
12	Criminal/Sessions Court Judges	33,285	206
13	District Attorney	17,535	137
14	Drug Court	9,424	38
15	Economic Community Development	118,798	604
16	Election Commission	50,587	225
17	Emergency Management	229,196	773
18	Engineering	114,928	198
19	Finance Division	716,685	1,107
20	General Services Division	7,313	68
21	Alternative Sentencing	46,963	330
22	Health Division	694,870	4,062
23	Human Resources Division	28,307	131
24	Juvenile Court	122,614	656
25	Maintenance	232,208	1,499
26	Parks & Recreation	567,751	2,117
27	Public Defender	7,718	29
28	Public Works	1,113,727	3,361
29	Real Property	2,985	55
30	Sheriff	332,705	1,880
31	Trustee	8,187	62
32	Various County Administrators	5,193	31
33	Various County Elected Officials	107,445	590
34	WWTA	90,438	611
TOTALS		\$ 5,004,396	20,363

Hamilton County, Tennessee

Major P-Card Vendors (Total Purchases > \$40,000)

Twelve Month Period December 26, 2024 through December 25, 2025

Count	Department	Total Purchases	No. of Trans.
1	Amazon	\$ 488,406	3,460
2	Lowes	149,686	714
3	Esri	139,795	4
4	Lee-Smith Inc	84,586	205
5	Goodyear	80,450	31
6	Staples	79,923	449
7	Gulf States Distributors	77,773	13
8	Wal-Mart	75,485	653
9	Sanofi Pasteur Inc.	75,350	14
10	The Home Depot	67,783	377
11	Mtn View Ford Lincoln	67,693	143
12	Jacobs Paper Co	64,404	124
13	Goodyear	61,021	9
14	Quill	56,770	322
15	Ace Hardware	52,942	806
16	Unifirst Corporation	51,839	41
17	Oreilly	48,290	413
	All others (1,827 vendors)	3,282,202	12,585
TOTALS		<u>\$ 5,004,396</u>	<u>20,363</u>

NOTE: The above represents a list of seventeen (17) vendors from which Hamilton County procured the most goods and services (34%) using P-cards during the twelve month period of December 26, 2024 through December 25, 2025.

**Hamilton County, Tennessee
P-Card Rebates
Calendar Years 2015 through 2025**

Rebate Year	Year Paid	P-Card Rebates	Payable Rebates	Total
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
2025	2026	55,792	4,421	60,213
	TOTAL	\$ 528,482	\$ 144,364	\$ 672,846

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.