

## **Performance Audit 25-02: Purchase Card Program**

**September 2025**

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

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# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

September 4, 2025

To: Mayor Kelly  
City Council Members

Subject: Purchase Card Program Audit (Report #25-02)

Dear Mayor Kelly and City Council Members:

The attached report contains the results of our audit of Finance's purchase card (P-Card) program. Our audit found the following:

1. The Purchasing Division has developed a comprehensive policy and procedures manual but some of the stated internal controls were not performed;
2. In general, cardholders attached adequate support documentation and purchases were for a municipal purpose. However, we found the timeliness of coding and approving transactions in Truist needs improvement and multiple instances of noncompliance with policies;
3. The P-Card rebates have increased substantially since our prior audit of this area issued in 2021, but opportunity exists to increase rebates available to the City; and,
4. Historical P-Card support documentation is not retained in accordance with record retention requirements.

To address the noted areas for improvement, we recommended actions to update policies and procedures to reflect current practices, add training for P-Card approvers, correct cardholder account setups, implement random cardholder transaction reviews, perform periodic analysis of spending by vendor, and periodically download support documents from the P-Card platform for records retention.

We thank the management and staff of the Purchasing Division of Finance, and the departments of Public Works, Early Learning, Parks & Outdoors, Community Development, Human Resources and Technology Services for their cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM, CFE  
City Auditor

Attachment

cc:     Audit Committee Members  
          Kevin Roig, Chief of Staff  
          Mande Green, Chief Operating Officer  
          Steven Wilson, Deputy Chief Operating Officer  
          Weston Porter, Chief Financial Officer  
          Brian Smart, Manager Financial Operations  
          Debbie Talley, Procurement Officer  
          Jim Arnette, Tennessee Local Government Audit [jim.arnette@cot.tn.gov](mailto:jim.arnette@cot.tn.gov)

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## AUDIT PURPOSE

This audit was conducted in accordance with the Office of Internal Audit's 2025 Audit Agenda. The objectives of this audit were to determine if:

- The Purchasing Division has established effective internal controls over the purchase card program;
- Cardholders complied with *City of Chattanooga's Purchasing Card Policy and Procedures*;
- The City's purchase card program maximizes purchase card rebates; and,
- The Purchasing Division maintains purchase card support documentation in accordance with records retention requirements.

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## BACKGROUND

The City of Chattanooga's P-Card Program provides charge cards to select employees to enable them to purchase non-repetitive supplies, materials, equipment and services. Issuance of P-Cards is initiated by a department by completing an application form.

As shown in Exhibit 1, the department requesting the purchase card provides the following information:

- Type of Card – Choices include standard, include travel, include food and include IT purchases. If Include IT is selected the Technology Services Director must approve.
- Cardholder Information
- Monthly and single transaction limits - Currently, the per transaction limit for most cardholders is \$5,000 and the monthly limit is \$25,000. If needed and approved, the single transaction and monthly limits can be increased.
- Workflow approval – Policy requires, at a minimum, the Department Head as an approver.
- Approval Signatures – All must be completed prior to the issuance or change request. Signatures include the cardholder, department head, Chief Financial Officer, Chief of Staff and Purchase Card Administrator.

## Exhibit 1: Purchase Card Application Form

<b>PURCHASING CARD APPLICATION FORM</b>		
Please complete both pages		
REQUEST DATE: _____	TYPE OF REQUEST: <input type="checkbox"/> New <input type="checkbox"/> Change Request	
TYPE OF CARD: <input type="checkbox"/> Standard Purchasing Card	<input type="checkbox"/> Include Travel	<input type="checkbox"/> Include Food
<input type="checkbox"/> Include IT (Approval required)		
<b>CARDHOLDER INFORMATION:</b>		
First Name:	Middle Initial:	Last Name:
City E-Mail Address:		City Phone Number:
Department Name:		Position Title:
Department Division:		
Street Address:		Zip:
Default Oracle Coding: (Include Fund & Department)		
Employee Number:		SSN (Last 4 only)
WHAT COMMODITIES DO YOU PLAN ON PURCHASING WITH THIS CARD?		
CREDIT LIMITS: Monthly Credit Limit \$ _____ Single Transaction Limit \$ _____ (See Purchase Card Policy and Procedures)		
<b>Workflow Approval</b> (This is the approval path of transaction documentation and allocations)		
Level 1 Approval (i.e. Supervisor / Department Head)		
Name: _____		
Title: _____		
Level 2 Approval (i.e. Department Administrator)		
Name: _____		
Title: _____		

Prior to receiving a new purchase card, the cardholder must attend training and sign the P-Card agreement. In 2024, the City had 216 active regular P-Card holders and 23 active grant P-Card holders.

The Purchasing Division develops purchase card policies and procedures and provides training to new cardholders. Purchase card users are required to adhere to both the City's *Procurement Instructional Manual (Revised 2022)* and the *City of Chattanooga Purchase Card Policies and Procedures (effective April 24, 2024)*.

### Purchase Card Process

After a cardholder authorizes payment by P-Card, Truist sends an email notification to the cardholder to code the transaction in Truist. In Truist's ESP system, the cardholder inputs the Oracle accounting

string, the purpose and location of the goods and services, and uploads the supporting documentation (invoice, receipt, packing slip, etc).

## Exhibit 2: Example of Truist Coding Screen

Transaction: Details

Print Transaction Summary

Purchase: 07/25/2025

Amount: \$13.21 USD

Elders Ace-South Side, Chattanooga


Summary

Coding

Approval

	Fund	Department	Cost Center	Account	Work Location	Activity	Project	Offer Code	Amount Incl	Tax
Line 1	1100 General Fund	K Public Works	K00125 Building Maintenance YFD	702212 HVAC	400604 Rec Ctr - Wyatt	000000 Undefined	000000 Undefined	000000 Undefined	13.21	0.00

Supplier Information

View Receipts 

Receipt? ☐

Purchase Elders Ace-South Side

Notes

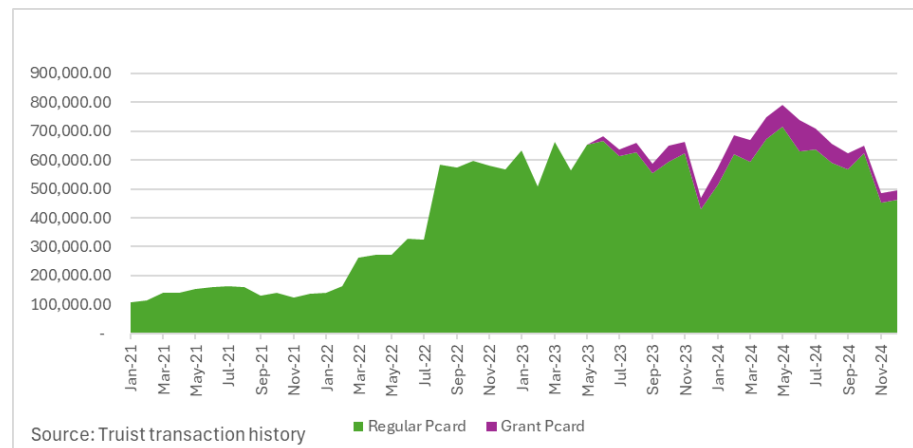
WO#72244 - Ace Hardware - Plumbing Supplies - \$13.21 - Repair parts to repair leak on the air conditioner unit in the small building at Francis Wyatt.

After the cardholder completes the coding section, an email notification is sent to the 1<sup>st</sup> required approver.<sup>1</sup> The approver reviews the coding, notes and attached documents. If they have questions, the approver can add an approver's comment and send the transaction back to the cardholder to provide additional information. Once the final approver signs off in Truist, the transaction would automatically transfer to Oracle the next morning.

## Statistical Information

The City maintains two P-Card accounts with Truist, one for non-grant related purchases and one for grant related. As shown in Exhibit 3, purchase card transactions have increased significantly since our prior P-card audit report was issued in June 2021. Annual P-Card transactions increased from \$1.67 million in 2021 to \$7.13 million in 2023. During the calendar year 2024, City departments made 19,494 P-Card purchases totaling \$7,821,716. The City received \$114,971 in rebates from Truist in 2024.

<sup>1</sup> If an approver is not required (not set up in Truist), the transaction will automatically transfer to Oracle the next morning.

Exhibit 3: Total Transactions: Jan. 2021 to Dec. 2024<sup>2</sup>

## FINDINGS AND RECOMMENDATIONS

### Prior Audit Recommendation Not Fully Implemented

The current purchase card process differs from the purchase card policy. This was previously identified in Audit 21-01 issued June 29, 2021. Although most of the previous recommendations were implemented, process changes were not updated prior to issuing the current *Purchase Card Policy and Procedures Manual (revised April 24, 2024)*. The following procedures in the policy are no longer performed:

- Finance representative must confirm all charges were approved by the Department Head. (see Finding related to approvals).
- Accounts Payable performs a final review of transactions for proper support documentation, account coding and notes. Once the cardholder enters the receipt and coding, “the transaction will move through approval workflow to A/P for review and processing.”
- The cardholder should review and allocate charges in Oracle Expenses.

The Internal Control Manual for Local Governmental Entities Component 3 states “management should implement control activities through policies” and “periodically review and update” the policies manual. Component 2 states “management should identify, analyze, and respond to significant changes that could impact the internal control system.”

<sup>2</sup> The separate grant P-Card account started in May 2023.

**Recommendation 1:**

We recommend Finance update the *Purchase Card Policy and Procedures Manual* to document changes in the process and internal controls.

**Auditee Response:** *Purchasing agrees that the Purchase Card Policy and Procedures Manual should be updated. Draft documents have been started which separate policies from procedures.*

**Estimated Implementation Date:** February 16, 2026

**Priority Level:** 3

**The Procurement Manual was not updated to reflect the increases in P-Card per transaction and monthly limits.**

The *Procurement Instruction Manual* purchase card limits are not consistent with the *Purchase Card Policy and Procedures Manual*. In April 2024, the Purchasing Division increased the purchase card limits from \$1,000 to \$5,000. Most cardholders have the \$5,000 per transaction limit with Fleet having a \$10,000 per transaction limit.

The *Procurement Instructional Manual 2014 (Revised 2022) Section 2.02 – Purchase Under \$5,000* states “purchases under five thousand dollars (\$5,000) can be made without formal advertisement or bids. These purchases may be made via a purchase card...” and then two paragraphs below it states “purchases up to one thousand dollars (\$1,000) can be made by use of the City Purchase Card.”

The procurement manual serves as the City’s overarching purchasing policy and is approved by council. When policies have conflicting requirements, management expectations are not effectively communicated to users.

**Recommendation 2:**

We recommend the Purchasing Division update the language in the *Procurement Instruction Manual* and submit changes to Council for approval.

**Auditee Response:** *Purchasing agrees that the Procurement Manual should be updated. The Procurement Officer is working with the City Attorney’s Office to update the Procurement manual to streamline the manual to policies and references to the Tennessee Code Annotated. The new manual will likely closely mirror the Municipal Technical Advisory Service’s MTAS Purchasing Guide.*

***Estimated Implementation Date: February 16, 2026***

***Priority Level: 2***

### **Internal Control Deficiencies**

Our audit identified several deficiencies in the purchase card process including improper setup of cardholders in the Truist system, an ineffective reporting procedure and noncompliance with purchase card policies, procurement policies, and records retention schedules.

#### **Department heads not approving transactions**

We performed two tests related to the approvers in Truist. We sampled 49 cardholders and found 3 of the 49 (6%) had no approver setup in Truist and 21 of 49 (43.6%) did not have the administrator set up as the final approver. In addition, our review of individual transactions found 44 of the 59 (75%) transactions sampled were not approved by an administrator.

City of Chattanooga's *Purchase Card Policy and Procedures Manual Section IV, C* states department head / administrator is responsible for **reviewing and approving departmental charges individually**. In addition, *Section IV, D* states a delegate "does not have the authority to approve charges made against a department budget."

The Finance Department confirmed approvers were not properly set up in the P-Card system due to performance issues with the previous P-Card Administrator.

#### **Recommendation 3:**

We recommend the P-Card Administrator review and correct the cardholders' approval flow to include the administrator/department head as the final approver in the purchase card system.

***Auditee Response:*** Purchasing agrees that Purchase Card approval flow should include the Administrator or department head or designee as the final approver. Existing language that conflicts with designee rights to approve will be eliminated. In 2025 the bank issuing Purchase Cards will be changed, allowing Purchasing to reset all cards, users and approvers. Existing language is already changed in the draft Purchase Card Policy and we estimate that approval flow will be updated immediately upon issuing a new contract with a new bank to administer the purchase cards. The new contract is already under review in the Office of City Attorney.

***Estimated Implementation Date: December 31, 2025***

**Priority Level: 1****Terminated employees with active purchase cards**

We compared the Truist cardholders for both accounts (regular and grant) to Oracle's active employee listing and employee turnover report. We identified multiple terminated employees with active purchase cards. Overall, 50% of the inactive employees' accounts were not closed (10 out of 20). We also found 4 of the 10 purchase cards were used after the employee was terminated.

City of Chattanooga's *Purchase Card Policies and Procedures Section X* require Department Heads/Administrators to collect cards from cardholders who terminate employment and immediately notify the PCard Administrator by phone, as well as email.

Based on our review, we found department heads were not consistently notifying the P-Card Administrator to close accounts of terminated employees. Due to the non-compliance with policy, non-city employees continued to have access to and the ability to charge unauthorized purchases.

**Recommendation 4:**

We recommend Finance, with the assistance of Human Resources, add the P-Card Administrator to the automated notification system used with Oracle's offboarding journey.

**Auditee Response:** *Purchasing agrees that the Purchase Card Administrator should be notified of terminating employees when terminations are entered into Oracle. Purchasing has already reached out to Human Resources to request this. As an immediate workable solution we requested and have already started receiving HR Termination reports each Monday with the prior week's terminated employees. This allows us to cross reference with P-Card holders and make sure their card has been deactivated.*

**Estimated Implementation Date:** February 16, 2026

**Priority Level: 2****Transactions not recorded timely in the City's financial records**

P-Card transactions are automatically transferred to the Oracle financial system once they are coded and approved in Truist. Our review of transactions found 32% of transactions sampled were not timely coded. The average number of days required to code was 7 days

(ranging from 1 to 43 days). We found 36% of transactions were not timely approved. The average number of days to approve was 12 (ranging from 1 to 204 days).

*City of Chattanooga's Purchase Card Policies and Procedures* require cardholders to code and upload support documentation for each transaction within a week. The policy also states that the Finance Representative should notify "departments, divisions, offices, and agencies when approval for charges is not received in time."

During the audit period, Finance was not monitoring and reconciling the P-Card transactions that were unmapped and unapproved in the Truist system. Finance indicated monitoring and random audits were not performed partly due to high turnover in the Purchasing Division during 2024.

Also, although cardholders are required by policy to code and upload support documents within 7 days, the policy was not always followed. In addition, the policy has no timeliness requirement for approvers. The noncompliance with policies and procedures created timing issues in grant reimbursement reporting and resulted in unallowable purchases as well as missing support documentation.

### **Recommendation 5:**

We recommend Finance perform a periodic analysis of unmapped and unapproved transactions in the credit card system and notify departments, as required by stated policies.

***Auditee Response:** Purchasing agrees with implementing a periodic analysis of unapproved P-Card transactions. We have already addressed this in the new draft policy language and will be adding a random monthly audit. Finance staff is currently doing random checks while we have Truist, and sends emails accordingly. Once the new bank is in place we will have the P-Card Administrator doing this task and reporting on it.*

***Estimated Implementation Date:** December 31, 2025*

***Priority Level:** 2*

### **Policy violations by cardholders**

We found that 11% of cardholders sampled made unallowable purchases (e.g. alcohol, food, travel, and information technology purchases). We also noted other policy violations including missing support documentation, missing explanations for purchases, split

transactions, travel expenses not reported, and using the P-Card when blanket agreements are available.

*Internal Control Manual for Local Governmental Entities Component I-Control Environment* states “management should evaluate performance and hold individuals accountable for the internal control responsibilities.” The City’s *Purchase Card Policies and Procedures Part XII – Internal Controls* states random departmental purchase card audits will be performed on a quarterly basis.

The lack of random, periodic reviews of cardholder transactions increases the likelihood of abuse and misuse of credit cards. In addition, P-Card transaction approvers do not receive training if they are not cardholders.

#### **Recommendation 6:**

We recommend Finance provide training to all P-Card transaction approvers.

***Auditee Response:*** *Purchasing is creating a new training module that will be assigned through Oracle Learning. One training module will be for P-Card holders and one will be for approvers. New training modules cannot be started until a new banking contract is in place.*

***Estimated Implementation Date:*** *February 16, 2026*

***Priority Level:*** *2*

#### **Recommendation 7:**

We recommend Finance perform and document random reviews of cardholder transactions and hold individuals accountable for non-compliance with stated policies.

***Auditee Response:*** *Purchasing believes this response is included with recommendation 5. We will be writing updated policy and performing random monthly audits of P-Card transactions. Purchasing cannot hold individual employees in other departments accountable as far as employee discipline but the intention is to have strict controls in place that could include the cancellation of P-Card rights altogether for repeat or serious violations.*

***Estimated Implementation Date:*** *February 16, 2026*

***Priority Level:*** *2*

### Annual spending exceeded approved contract

During calendar year 2024, Fleet purchased \$1,262,755 in vehicle parts from Lee-Smith; however, Council approved the contract for \$1,000,000<sup>3</sup>. Fleet has been authorized by the Purchasing Division to use the purchase card to place orders against the Lee-Smith<sup>4</sup> contract (PA100063). Purchases were also made through the Oracle requisition process. The annual amounts were not monitored to ensure proper council approval.

We also reviewed annual purchase card transactions and found payments to Quality Mechanical of \$5,375 for repairs (PA100082) and \$753 for HVAC service (PA100366) as well as \$38,629 in purchases from Consolidated Pipe for goods found under PA100445 and contract # 561487.

City Code Sec. 2-551 requires council approval for expenditures exceeding fifty thousand dollars. City of Chattanooga's *Purchase Card Policy and Procedures Manual* states "goods or services that can be found on one of the City's Blanket Purchase Agreements should be purchased using a release against the Blanket Purchase Agreement."

City of Chattanooga's *Purchase Card Policy and Procedures Manual Section XII – Internal Controls* states the Purchase Card Administrator will annually monitor supplier spending exceeding \$25,000 on an annual basis. This internal control was not performed.

### Recommendation 8:

We recommend Finance implement a procedure to ensure expenditures do not exceed the approved contract amounts when Fleet uses the purchase card for Lee-Smith orders.

***Auditee Response:*** *Policy will clearly state that a P-Card can not be used when a current contract exists. Purchasing will have procedures in place to capture expenses that also fall under a purchasing contract. This will be part of the random audit procedure.*

***Estimated Implementation Date:*** February 16, 2026

***Priority Level:*** 1

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<sup>3</sup> PA100063 Automotive Parts Catalog, Lee-Smith Inc. for \$1,000,000 annually approved December 19, 2023.

<sup>4</sup> Per the Procurement Officer, Fleet was authorized to use the P-Card for Lee-Smith contract purchases.

**Recommendation 9:**

We recommend Finance monitor supplier spending to identify non-compliance with policies and to identify spending that exceeds \$25,000 annually, as required by stated policies.

**Auditee Response:** *Purchasing agrees with this recommendation and this will be part of the random audit procedure.*

**Estimated Implementation Date:** February 16, 2026

**Priority Level:** 2

**Support documentation not retained**

P-Card support documentation (e.g. invoices, receipts, packing slips, quotes and IT approvals) is not maintained in an accessible location outside the Truist ESP system. Cardholders are required to document P-Card purchases in the Truist system by uploading the receipts/invoices. The originals are retained by the individual cardholder.

Truist maintains the transaction information and images for two years. Truist's ESP system is not considered an archival program and they recommend the City periodically download the data (along with images) if they need to go back to review it.

City of Chattanooga's *Purchase Card Policy and Procedures Manual Section VI Purchase Card Holder's Responsibilities* states "once documentation is scanned, uploaded, and verified in OracleCloud Expenses, the cardholders must retain the original documentation". City of Chattanooga's *Records Retention Schedule FIN-300* states paid invoices are retained for 7 years plus the current fiscal year.

The policy does not reflect the current process<sup>5</sup> nor does it ensure documents will be available when needed. In addition, the Department of Technology has not exported the support documentation from Truist.

**Recommendation 10:**

We recommend DIT periodically download the images from the purchase card platform. The images should be stored in a centralized, accessible location.

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<sup>5</sup> See previous audit finding titled "Prior Audit Recommendation Not Fully Implemented"

***Auditee Response:*** Purchasing intends to automate a download process of all uploaded images sent to the bank. This is likely to be monthly and until a new bank is established we are unsure of any indexing capabilities the bank may have. However, receipts or other uploaded documents should be searchable within our backup.

***Estimated Implementation Date:*** February 16, 2026

***Priority Level:*** 2

### **Recommendation 11:**

We recommend the Purchasing division update its purchase card policy to document how often data images are downloaded and how to access, if needed.

***Auditee Response:*** Purchasing will add this recommendation to the draft Purchase Card Procedure Manual.

***Estimated Implementation Date:*** February 16, 2026

***Priority Level:*** 2

### **Potential to increase P-Card and Amazon rebates**

Since the previous purchase card audit was issued in 2021, Purchasing Division has increased P-Card rebates by encouraging the use of purchase cards and increasing the transactional P-Card limit from \$1,000 to \$5,000. In addition, the Purchasing Division implemented the Amazon Business account in Oracle, which also allows the City to earn rebates for purchases from Amazon<sup>6</sup>.

### ***P-Card rebates***

To determine the potential rebates, we selected a sample of requisitions approved during 2024 that were under \$5,000. Our sample included 2,456 purchase orders which totaled \$2,379,366.60<sup>7</sup>. We found 31% of Oracle purchase orders under \$5,000 could have been paid with the purchase card at no additional cost to the City. The City's potential annual increase in purchase card rebates is \$9,795.

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<sup>6</sup> The world's largest companies (Amazon, Apple, etc) negotiate directly with Visa/MC for rock bottom pricing which means they pay a flat rate of pennies per transaction as their interchange fee. Since the interchange fee is minimal, Truist does not pass any share of the fee as a rebate to the City. Therefore, under the City's Truist agreement, the City does not receive any rebate for purchases made with Amazon.

<sup>7</sup> Purchase requisitions with no associated blanket agreement. Amazon requisitions were not included in this sample.

City of Chattanooga's *Purchase Card Policy and Procedures Manual (April 2024)* encourages the use of purchase cards for non-repetitive items under \$5,000 that are not found on a City's blanket purchase agreement. Prior to using the pcard, the cardholder must confirm the vendor agrees to process the transaction as tax-exempt with no convenience fees and that the purchase is compliant with the City's procurement regulations.

When creating a noncatalog requisition<sup>8</sup> in Oracle, the user is not required to identify on the requisition whether the purchase can be paid via the P-Card. Adding this step to the process of approving requisitions could potentially increase available rebates.

### **Recommendation 12:**

We recommend Finance include a procedure in the requisition process that requires the buyer, prior to approving noncatalog requisitions under \$5,000, to verify the purchase cannot be paid (without additional cost) via the purchase card.

***Auditee Response:*** *Purchasing agrees with the audit finding and recommendation. Currently, department employees that process requisitions have been instructed to add a note for the buyer that confirms they have verified the purchase under \$5,000 cannot be made using a P-Card. This is specifically supposed to be entered in the Justification section of the requisition. If the note is not included on the requisition, the buyer is instructed to reject and send a note back to the requisitioner. This will be added to the Purchase Card Policy Manual.*

***Estimated Implementation Date:*** *Immediately*

***Priority Level:*** *3*

### ***Amazon rebates***

Per the Purchasing Division, purchases from Amazon should be done through the Oracle Amazon Business store and not via purchase cards. Our review of P-Card transactions found cardholders spent \$31,709 with Amazon during 2024. As previously stated, Truist has negotiated rates with Amazon; therefore, Truist does not give the City rebates for purchase card transactions with Amazon. However, Amazon purchases through Oracle's business store provide rebates as follows:

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<sup>8</sup> Noncatalog requests are purchases not found under a City blanket agreement.

## Exhibit 4: Amazon Business Rebate Program

* Must meet annual spending of \$420,000 to earn
1% rebate on spending up to \$510,000
Then 2% rebate up to \$610,000
Then 3% rebate

Our review of Oracle purchase orders found the City spent \$456,602 with Amazon Business during calendar year 2024. The City had not requested a rebate prior to the initiation of this audit. In July 2025, the Purchasing Division requested and received the Amazon rebate of \$4,936.

The *Internal Control Manual for Local Governmental Entities Component 3* states “management should implement control activities through policies” and “periodically review and update” the policies manual. The purchase card policy does not prohibit the use of P-Cards with Amazon. In addition, due to employee turnover, the Purchasing Division was unaware of the Amazon rebate.

**Recommendation 13:**

We recommend Finance update the purchase card policy to prohibit purchases from Amazon on P-Cards.

***Auditee Response:*** Purchasing will update the Purchase Card Policy Manual to prohibit P-Card purchases from Amazon and we will determine if the new bank, once established, can systematically block Amazon purchases at the bank approval level.

***Estimated Implementation Date:*** February 16, 2026

***Priority Level:*** 3

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## APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS

Based on the work performed during the preliminary survey and the assessment of risk, the audit covers the purchase card program from January 1, 2024 to December 31, 2024. When appropriate, the scope was expanded to meet the audit objectives. Source documentation was obtained from Truist ESP System and the Finance Department. Original records as well as copies were used as evidence and verified through physical examination.

To determine whether internal controls were in place for the P-Card program, we reviewed policies and procedures and interviewed staff to gain an understanding of the purchase card process. We reviewed a random sample of cardholder applications to verify the proper setup of accounts and approvers in Truist. To determine if procurement policies were followed, we reviewed a random sample of P-Card transactions. To determine if the City maximized rebates, we reviewed a random sample of Oracle requisitions under \$5,000.

The sample size and selection were statistically generated using a desired confidence level of 95 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, we relied on the City's financial system, Oracle, which was previously determined to be reliable, and no additional testing was necessary. We also assessed the reliability of computer-processed data contained in Truist's ESP system. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

We conducted this performance audit from February 2025 to July 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## **APPENDIX B: PRIORITY LEVEL DEFINITIONS**

Priority 1: Critical control weakness exists that exposes the City to a high degree of risk. Noncompliance with federal, state or local law, regulation, statute, charter or ordinance will always be considered a priority 1.

Priority 2: Control weakness exists that exposes the City to a moderate degree of risk.

Priority 3: The opportunity for improved efficiency or reduced exposure to risk exists.

### **City of Chattanooga Fraud, Waste, and Abuse Hotline**

Internal Audit's Fraud, Waste, and Abuse Hotline gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any City facility or department.

Internal Audit contracts with a hotline vendor, The Network, to provide and maintain the reporting system. The third party system allows for anonymous reports. All reports are taken seriously and responded to in a timely manner. Reports to the hotline serve the public interest and assist the Office of Internal Audit in meeting high standards of public accountability.

To make a report, call 1-877-338-4452 or visit our website:

[www.chattanooga.gov/internal-audit](http://www.chattanooga.gov/internal-audit)