



**THE COUNTY OF GALVESTON**  
COUNTY AUDITOR'S OFFICE  
P.O. Box 1418  
GALVESTON, TEXAS 77553

**County Auditor**  
**Randall Rice CPA**  
CITP CISA CIO CBM DABFA CGMA

**Ron Chapa CPA**  
First Assistant, Director of Auditing

**Jeff Modzelewski CPA**  
First Assistant, Director of Accounting

January 6, 2015

Honorable Judge Mark A. Henry and  
Members of the Commissioners' Court

Honorable Judge and Members of the Court:

Attached for your consideration is the internal audit report of the Tax Office's Beer and Wine Audit. The audit covered the period July 1, 2013 through June 30, 2014. Also attached is the response letter from Honorable Cheryl E. Johnson dated December 16, 2014.

Sincerely,

A handwritten signature in black ink, appearing to read "RRice", written over a light blue circular stamp.

Randall Rice CPA  
County Auditor

cc: Honorable Cheryl E. Johnson

Attachment: Tax Office's Beer and Wine Audit Report  
Response Letter, Cheryl E. Johnson



# Tax Office Beer and Wine Audit

October 22, 2014

Galveston County  
Internal Audit  
Division

Randall Rice CPA  
CITP CISA CIO CBM DABFA CGMA  
County Auditor

Executive Summary .....	1
Introduction .....	2
Details .....	3-5

# Executive Summary

## Reliability and Integrity of Information (page 3)

- The controls in place for entering the permit information and receipting payment using the Beer & Wine ACT database appear to be adequate and effective.
- Permit fee refunds are processed timely and accurately.

## Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.

## Compliance with Statutes, Policies, and Procedures (page 5)

- Deposits are in compliance with LGC §113.022 as collections were deposited on a daily basis.
- The Tax Office is in compliance with Section 11.38 and 61.36 of the Texas Alcoholic Beverage Code. These codes allow the County to collect up to ½ of the state fee for certain permits and licenses.

# Introduction

The Internal Audit Division conducted an internal audit of the Beer and Wine Permit operations in the Tax Office, as required by Local Government Code §115.0035. The internal audit covered the period July 1, 2013 through June 30, 2014. The audit was performed from July 10, 2014 through August 18, 2014.

The primary objectives of the internal audit are to provide reasonable assurance concerning:

- Reliability and integrity of the information.
- Safeguarding of assets.
- Compliance with laws, regulations, contracts, policies, plans, and procedures.

The scope of the internal audit encompassed the financial records and administrative procedures related to the Tax Office's Beer and Wine permit operations. The internal audit included, but was not limited to the books, accounts, reports, dockets, and records of the Tax Office.

The internal audit included examining transactions on a test basis, and required exercising judgment in the selection of such tests. As the internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected during the internal audit. The official therefore retains the responsibility for the accuracy and completeness of the financial information.

Because of certain statutory duties required of the County Auditor, we are not independent with regard to the Galveston County Tax Office as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Jordan Guss, Internal Auditor II, performed the audit.

## **Reliability and Integrity of Information**

Reliable information is accurate, timely, complete, and useful. In order to achieve this, controls over record keeping and reporting must be adequate and effective.

### **Receipts**

The Galveston County Tax Office collects beer and wine permit and license related fees for the County, and the city of League City.

The Tax Office uses the ACT alcohol permit module to record beer and wine permit transactions. Permit information is uploaded into ACT from the Texas Alcoholic Beverage Commission (TABC) website. The controls in place for entering the permit information and receipting payment using the Beer & Wine ACT database appear to be adequate and effective.

### **Permit Fee Refunds**

License holders can request a refund from the Tax Office for a beer or wine license withdrawal or for fees incorrectly collected. Internal Audit reviewed the refunds issued during the audit period to verify the refunds were processed timely and accurately. No exceptions were noted.

# **Safeguarding of Assets**

## **Physical Security – Collections**

Depositing daily is one of the best safeguards of assets (collections) as well as providing the County with maximum benefit of the collections.

Controls are in place to ensure staff uses lockable cash drawers and a safe to secure the collections until deposited.

The financial assets are adequately safeguarded and deposits are made daily.

# **Compliance with Statutes, Policies, and Procedures**

## **Deposit Statutes**

LGC §113.022 Time for Making Deposits requires money to be deposited on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the money must be deposited, without exception, on or before the fifth regular business day following collection. The Tax Office deposits daily.

## **Collection of Local Fees**

Section 11.38 and 61.36 of the Texas Alcoholic Beverage Code allows the County to collect up to ½ of the state fee for certain permits and licenses. Internal Audit tested the fees collected under this statute and did not find any discrepancies between the authorized amount to collect and what was collected.



**Cheryl E. Johnson, RTA**  
Assessor and Collector of Taxes  
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Galveston County Courthouse  
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Cheryl.E.Johnson@co.galveston.tx.us



December 16, 2014

Mr. Randall Rice, CPA  
Galveston County Auditor  
722 Moody Avenue  
Galveston, Texas 77550

Re: FY 2014 Beer & Wine Audit

Dear Mr. Rice:

I am in receipt of the above referenced audit and wish to express my appreciation to you and the entire County Auditor's team for the partnership we have enjoyed for the last 10 years as we have worked to improve accountability and processes in the Galveston County Tax Office.

The referenced audit reflects the level of standards and best practices that have been in place in the County Tax Office during my tenure. I therefore have no comments with regard to the report.

On behalf of my team and the taxpayers of Galveston County, please extend my appreciation to Ms. McWhirter for her efforts and any other members of the Auditor's team who may have assisted you with this audit.

Sincerely,

  
Cheryl E. Johnson, RTA

cc: Ms. Lori McWhirter