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To: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell
Supervisor Lindsey P. Horvath
Supervisor Janice Hahn
Supervisor Kathryn Barger

for

From: Lisa E. Mandel
Interim Director

HAPPY TRAILS FOR KIDS FISCAL COMPLIANCE ASSESSMENT REVIEW REPORT

The Department of Children and Family Services (DCFS) Contract Compliance Division (CCD) conducted a Fiscal Compliance Assessment of Happy Trails for Kids in November 2025 through May 2026. This Contractor contracts with the County of Los Angeles Department of Children and Family Services to provide Campership Services. The Contractor is headquartered in the Third Supervisorial District.

Key Outcomes

NUMBER OF PRIORITY FINDINGS
PRIORITY 1 1
PRIORITY 2 1
PRIORITY 3 0

The CCD conducted a Fiscal Compliance Assessment review of the Contractor's financial records, which consisted of the following: Financial Statements, Bank Statements, Check Register(s), and Personnel Files. The review focused on five key areas of internal controls to determine their compliance with their Campership Services contract: Financial Overview (financial records and bank statements); Loans, Advances and Investments; Board of Directors and Business Influence; Cash/Expenditures; and Payroll and Personnel.

The CCD identified a potential internal control weakness in the following areas:

Priority 1

- Payroll and Personnel: (1 Finding)
    - The Contractor did not maintain timecards for the exempt employees.

Priority 2

- Cash/Expenditures: (1 Finding)
    - The bank reconciliations were not prepared within 30 days of the bank statement date and were not signed by the preparer and reviewer.

On May 14, 2026, DCFS' CCD Financial Specialist IV held an exit conference with the Contractor's Executive Director and Controller. The Contractor's representatives agreed with the review findings and recommendations and were receptive to implementing systemic changes to improve compliance with regulatory standards. The Contractor agreed to address the noted potential internal control weakness in a Fiscal Corrective Action Plan (FCAP).

The Contractor provided the attached approved FCAP addressing the recommendations noted in this report.

If you have any questions, your staff may contact me or Aldo Marin, Board Relations Manager, at (213) 371-6052.

LEM:RT:KR
DF:hk

Attachments

c: Joseph M. Nicchitta, Chief Executive Officer
Oscar Valdez, Auditor-Controller
Public Information Office
Audit Committee
Lindsay Elliot, Executive Director, Happy Trails for Kids

Fiscal Corrective Action Plan (FCAP)

Organization: Happy Trails for Kids
Contract: Campership Services Contract #24-04-001
Date: 06/12/2026

This Fiscal Corrective Action Plan outlines the organization's corrective actions to strengthen internal controls, ensure compliance with the Los Angeles County Auditor-Controller Contract Accounting and Administration Handbook, and prevent recurrence of the findings identified during the Fiscal Compliance Assessment.

Finding 1: Bank Reconciliations Not Completed Timely or Reviewed

Condition Identified

Bank reconciliations were not completed within 30 days of the bank statement date and were not consistently signed by both preparer and reviewer.

Context (Informing Root Cause)

The delays occurred during a period of financial transition, and while reconciliations were ultimately completed, the organization did not maintain a formalized policy requiring documented secondary review and sign-off.

Corrective Action Plan

1. Policy Implementation

Happy Trails for Kids will implement a formal Bank Reconciliation Policy requiring:

- Monthly bank reconciliations to be completed within 30 calendar days of the bank statement date.
- All reconciliations to include:

    - Documentation of the preparer and completion date, as recorded within QuickBooks Online (QBO)
    - Evidence of independent management review and approval, including documented reviewer identification and date (via electronic approval, system-generated audit trail, or signed reconciliation report)
- Documentation of all reconciling items, including resolution status and follow-up tracking.

2. Standardized Process

The organization will adopt a standardized reconciliation checklist and workflow:

- Step 1: Preparer completes reconciliation and documents all reconciling items.
- Step 2: Reviewer performs an independent review focusing on:
    - Completeness and agreement to general ledger
    - Reasonableness and age of reconciling items
- Step 3: Reviewer signs and dates the reconciliation to evidence approval.
- Step 4: Unresolved reconciling items are logged and monitored monthly.
    - Reconciling items will be investigated and resolved within the subsequent reconciliation cycle where feasible. Items outstanding beyond 60 days will be escalated and documented with status updates until resolved.

3. Timing Controls

- A monthly close calendar will be established to ensure reconciliations are completed within the required timeframe.
- Status tracking will be maintained to monitor completion dates and prevent delays.

4. Responsible Party

- **Preparer:** Staff Accountant
- **Reviewer:** Controller

5. Implementation Timeline

- Policy finalized and implemented within 30 days of FCAP submission
- Full compliance beginning with the first month following implementation

6. Monitoring and Data Collection

The organization will maintain:

- A reconciliation log tracking:
    - Completion dates
    - Reviewer sign-off dates
- Aging of reconciling items
- Exception tracking for reconciliations completed after 30 days

This data will be reviewed monthly by management to ensure compliance.

7. Verification of Compliance

- Reconciliations evidencing preparer and reviewer identification and dates (via QBO audit trail, electronic approval, or signed report)
- Reconciliation tracking log
- Documentation of reconciling item follow-up

Finding 2: Missing Timecards for Exempt Employees

Condition Identified

Timecards were not maintained for exempt employees, and hours were not documented by program or activity.

Corrective Action Plan

1. Policy Implementation

Happy Trails for Kids will implement a formal Timekeeping Policy applicable to all employees requiring:

- Timecards to be completed for each pay period
- Reporting of total hours worked and allocation of time by program and/or function
- Timecards to be signed and dated (electronically or manually) by:
    - Employee

- Supervisor

2. Process Design

Recognizing current operational simplicity (single program and limited grant complexity), the organization will implement:

- A standardized twice monthly timecard template (or payroll system equivalent)
- Simplified cost allocation categories
- Employees will record time based on actual work performed during the period, supported by contemporaneous or near-contemporaneous tracking.

3. System Implementation

- The organization will implement either:
    - Electronic time tracking, or
    - Standardized Excel-based timecards to be signed and dated
- The system will ensure:
    - Completed timecards are retained
    - Changes are tracked or documented
    - Approvals are recorded and auditable

4. Responsible Party

- **Employees:** Completion of timecards each pay period
- **Supervisors:** Review and approval for accuracy and reasonableness
- **Finance/Accounting:** Oversight, retention, and periodic compliance checks

5. Implementation Timeline

- Policy adoption and communication: within 30 days of FCAP submission
- Timecard tracking begins: first payroll period following implementation

6. Monitoring and Data Collection

The organization will maintain:

- Completed and signed timecards for each pay period
- Summary reports of time allocation by function
- Periodic internal review of timecard completeness and approvals
- Management will also assess the reasonableness of time allocations relative to employee roles, responsibilities, and program activities.

Management will periodically compare time allocations to financial statement functional expense classifications to ensure consistency.

7. Verification of Compliance

- Signed employee and supervisor timecards
- Time allocation reports
- Internal review documentation evidencing compliance monitoring

Oversight and Governance

Overall Responsibility

The Controller will be responsible for ensuring full implementation and ongoing compliance with the FCAP.

Internal Review

- Management will perform periodic reviews to confirm:
    - Timeliness and completeness of bank reconciliations
    - Compliance with timekeeping requirements

Continuous Improvement

Findings from internal reviews will be used to refine procedures and strengthen controls to prevent recurrence.

Closing Statement

Happy Trails for Kids is committed to strengthening its internal control environment and ensuring full compliance with County requirements. These corrective actions address both the control deficiencies identified and the underlying process gaps, and establish sustainable procedures for ongoing compliance.

[redacted]