

Attachment A

Scope of Services

The Office of Retirement Services (“ORS”), on behalf of the Boards of Administration for the Federated City Employees’ Retirement System and the Police and Fire Department Retirement Plan, is seeking to retain an Internal Audit Services Provider to deliver outsourced internal audit functions and act in the role of the Head of Internal Audit Division as defined in the Internal Audit Charter. This includes but is not limited to:

1. Development of a comprehensive risk assessment and creation of a new Five-Year Internal Audit Plan, and annual monitoring and reporting;
2. Execution of risk-based operational, compliance, financial operations, IT, and cybersecurity audits across all divisions of ORS;
3. Support for fraud investigations, follow-up monitoring, and coordination with external auditors and examiners when needed;
4. Preparation and presentation of audit findings, including prioritization of recommendations;
5. Maintenance of a centralized historical record of all audit activity, findings, and remediation efforts for ORS to reference;
6. Attend and participate as needed in the following meetings in person or remotely as requested:
 - Federated board Meetings,
 - Police and Fire Board Meetings,
 - All Audit Committee Meetings;
7. Consulting and advisory support to executive management and the Audit Committee; and
8. Maintenance of independence, quality assurance, and adherence to IIA internal audit standards.

The Internal Audit Services Provider will functionally report to the boards’ Audit Committees and administratively to the Chief Executive Officer.

1.1 ANTICIPATED SERVICES

The consultant engaged under this RFP shall assist ORS in maintaining and enhancing its internal control, risk management, and governance environment. All deliverables are presented to the Audit Committees for review and recommendation, and then presented to the respective boards for approval. Core services shall include, but are not limited to, the following:

1. Review and evaluate the most recent Five-Year Audit Plan, which included an internal audit risk assessment under the prior internal audit function. The selected provider shall update and validate the risk assessment to reflect organizational changes, emerging risks, and the status of previously identified audit areas. Use this review as the foundation for developing a new Five-Year Internal Audit Plan informed by the risk assessment and aligned with operational capacity and available audit budget.
2. Develop an Annual Internal Audit Plan based on the Five-Year Plan, updated annually to reflect changing risks and priorities.
3. Review prior internal audit reports and documentation, including open findings, and incorporate them into the initial audit planning process and a centralized tracking system accessible to ORS staff.

4. Review and recommend revisions to the ORS Internal Audit Charter during onboarding. Present proposed updates to the Audit Committee and the Governance Committee. Reassess the Charter after one year as part of a recurring governance cycle.
5. Conduct approximately 3-4 audit engagements annually, contingent on risk, budget, and support capacity. Engagements may include, but are not limited to:
 - Benefit processing and retirement applications,
 - Contribution reconciliation and pension payroll audits,
 - Investment operations and compliance (e.g., cash flows, reconciliations, due diligence),
 - Vendor management and procurement,
 - IT audits and cybersecurity risk assessments in coordination with IT service providers (San Jose IT Department, Pension Administration System hosting vendors, etc.) as necessary, and
 - Other program areas as identified in the annual risk assessment or at the direction of the Boards or Audit Committees.
6. Prepare written audit reports for each engagement, clearly stating the scope, objectives, findings, and prioritized, risk-rated recommendations for corrective action.
7. Participate in preparation meetings with Board Chairs, Committee Chairs, ORS CEO, senior executives, and Board counsel as required.
8. Present audit results at quarterly Audit Committee meetings and support related discussions.
9. Present audit results at regular meetings of the Boards and support related discussions.
10. Conduct follow-up assessments on prior findings and monitor the status of corrective actions implemented.
11. Maintain a centralized audit tracking register that documents historical and current audit engagements, including findings, remediation actions, and supporting documents.
12. Provide support in investigating suspected fraud or material control failures and report findings to the CEO, Audit Committees, and Boards as appropriate. This may require coordination with the Office of Employee Relations if it involves staff matters.
13. Coordinate with external auditors, legal counsel, compliance, City Departments, and other control functions to ensure effective service coverage and eliminate duplication of efforts.
14. Create and maintain a quality assurance and improvement program that aligns with IIA Standards.
15. Keep the Audit Committee and ORS leadership informed of emerging risks, trends, and internal audit best practices, especially those relevant to public pension systems.
16. Provide an annual affirmation of independence to the Audit Committee and disclose any impairments to independence or objectivity.
17. Prepare an annual summary report detailing audit activities, internal control observations, and overall assessment of the ORS control environment.

1.2 ADDITIONAL SERVICES

The Internal Audit Services Provider may also be asked to perform additional audit-related or advisory services as requested by the Boards or ORS staff. Respondents are encouraged to propose any additional services relevant to public pension operations, including:

- Internal control and policy training for management and staff;
- Advisory support for enterprise risk management initiatives;
- Technology and information security consulting;
- Benchmarking studies of internal audit and control practices in comparable systems;
- Strategy support for internal audit maturity model advancement.
- Provide advisory and consulting services to management, including enterprise risk management, process improvement, policy control, system change oversight (non-voting), and educational presentations to ORS staff and Boards..

Deliverables

Fixed Fee Deliverables

One-Time Deliverables (Onboarding and Initial Setup)

- Risk Assessment
- New Five-Year Internal Audit Plan
- Review, Recommendation, and Approval of Revisions to the Internal Audit Charter
- Review of Historical Internal Audit Reports and Open Findings
- Development and Launch of the Centralized Audit Issue Tracking Register

Recurring Deliverables

- Annual Review of the 5-Year Audit plan to adjust existing and address any new risk areas
- Annual Internal Audit Plan
- Annual Summary Report of Audit Activities and Internal Control Assessment
- Annual Charter Review (Year 2 and beyond)

Additional Work

All services not identified as fixed-fee deliverables in this RFP will be performed on a time-and-materials basis under individual Statements of Work (SOWs). Each SOW will define the specific objectives, scope, deliverables, timeline, estimated hours by staff type, hourly billing rates, and proposed payment milestones. No work shall commence until the SOW has been reviewed and approved in writing by the ORS Chief Executive Officer or their designee.

Proposal Requirement for Payment Milestones

As part of each SOW proposal, the consultant must include a payment schedule tied to the completion or presentation of deliverables, not solely hours worked. Milestones may include—but are not limited to—draft or final report delivery, presentation to the Audit Committee, or implementation of key project phases. ORS reserves the right to modify, reject, or negotiate milestone schedules during the SOW approval process.

SOW Process

1. Initiation
 - a. ORS identifies a need for additional audit or advisory services not covered under fixed-fee deliverables.
 - b. ORS provides the consultant with a description of the desired scope of work.
2. Proposal
 - a. The consultant submits a draft Statement of Work including:
 - i. Scope and objectives
 - ii. Deliverables and timeline
 - iii. Estimated hours and hourly rates by role
 - iv. Total estimated cost
 - v. Proposed payment milestones tied to deliverables or review points
3. Review and Negotiation
 - a. ORS reviews the SOW and proposed milestone structure and may request revisions.
 - b. Once terms are finalized, the SOW is formally approved.
4. Approval
 - a. The Chief Executive Officer (or designee) provides written authorization.
 - b. Work may not begin until formal approval is received.
5. Execution and Oversight
 - a. Consultant performs services per the approved SOW.
 - b. ORS may request progress updates or documentation of milestone completion.
6. Completion and Payment
 - a. Consultant delivers agreed-upon work products and milestone confirmations.
 - b. Invoices must reference the approved SOW and reflect milestone-based billing.