



Internal Audit

City of San Jose Office of Retirement Services (ORS)

Audit Committee Meeting:

Police & Fire Department Retirement Plan
Federated City Employees' Retirement System
February 19, 2026

Agenda

- Baker Tilly Introduction
- Outsourced Internal Audit Methodology
- Risk Assessment & Audit Plan Overview
- Risk Assessment Approach
- Risk Scoring and Analysis
- Risk Assessment Timeline

Introductions



**Chris Kalafatis, CPA,
CIA, CFE**
Principal

P: +1 (703) 923-8007
E: chris.kalafatis@bakertilly.com



Stacey Gill, CIA, CISA
Director

P: +1 (512) 975-7284
E: stacey.gill@bakertilly.com



**Kate Murdock, MPP,
CIA, CGAP**
Senior Manager

P: +1 (512) 982-3406
E: kate.murdock@bakertilly.com



Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms. The name Baker Tilly and its associated logo is used under license from Baker Tilly International limited. The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. © 2024 Baker Tilly Advisory Group, LP

About Baker Tilly



6th-
largest U.S.
accounting firm*



11,000+
team members,
1,000+ principals



100+
years in
business



~3,400
Certified Public
Accountants



\$3B+
firm revenue
in FY2025

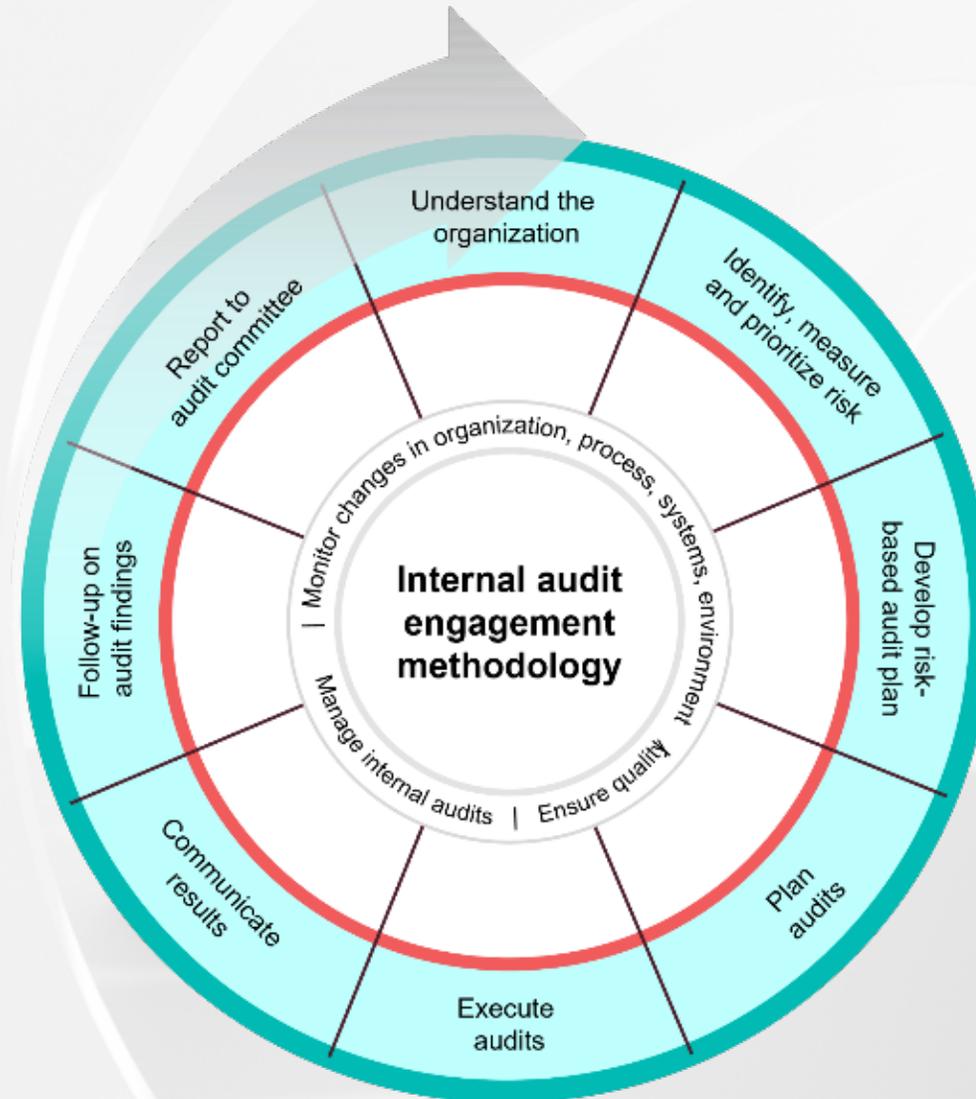


100+
worldwide office
locations



300+
workplace and
culture awards

Outsourced Internal Audit Methodology



Risk Assessment & Audit Plan Overview



Audit Planning Considerations:

- Risk Assessment
 - Audit activities generally target higher risk areas
- Ability to add value
 - Independent and objective analysis
- Input from the Board
 - Input on audit priorities
- Coverage and Prior Audits
 - Internal, operational and financial
- “Ripeness” and On-going Initiatives
 - Avoid duplication of efforts
- Scheduling
 - Timing of the audit vs. on-going related initiatives

Risk Assessment Approach



Risk Scoring and Analysis



We apply a structured scoring methodology to evaluate risk areas consistently and objectively across the board. This approach focuses on two key dimensions: **Impact** and **Likelihood**, prioritizing risks systematically and directing audit efforts toward areas of greatest concern.



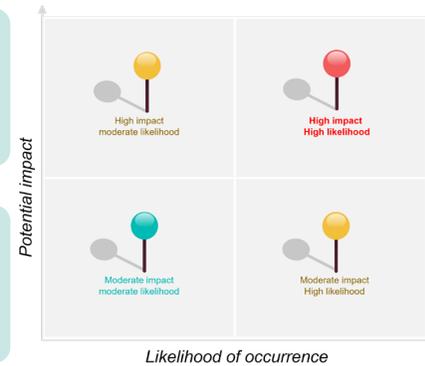
Impact reflects the potential severity of consequences if a risk event occurs. It considers effects across several critical areas: service delivery and operations, financial and resource implications, public trust and reputation, and legal, regulatory, or political exposure. Impact is scored on a 1–4 scale with defined criteria to support consistent judgments.



Likelihood captures how probable or frequent a risk event is, drawing on historical trends, patterns observed in comparable public-sector organizations, and relevant environmental factors. Likelihood is also scored on a 1–4 scale.



An overall **Risk Score** is calculated by multiplying the Impact and Likelihood scores. This quantifies risk and provides a clear basis for prioritizing audit areas. The result is a more focused and strategic audit plan, ensuring resources are directed toward the risks most likely to affect ORS objectives and the continuity of its public services.



Risk Assessment Timeline

| Activity | Feb | Mar | Apr | May |
|-----------------------|--------|--------|--------|--------|
| Information Gathering | Active | | | |
| Audit Universe | Active | | | |
| Risk Rating/Analysis | Active | Active | Active | |
| Audit Plan | | | Active | |
| Present Results | | | | Active |



Questions?

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms. The name Baker Tilly and its associated logo is used under license from Baker Tilly International limited. The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. © 2024 Baker Tilly Advisory Group, LP