



# 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



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# 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

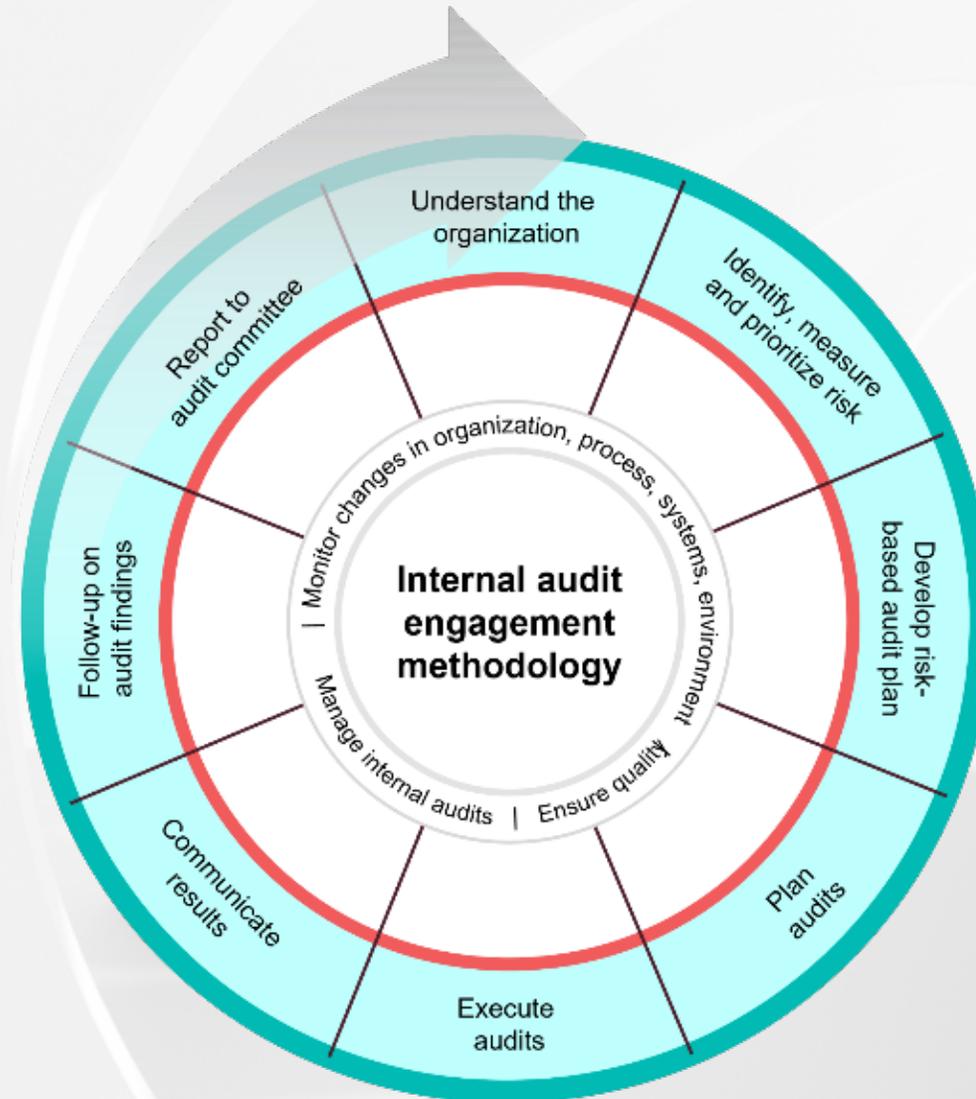


**100+**  
worldwide office  
locations



**300+**  
workplace and  
culture awards

# Outsourced Internal Audit Methodology



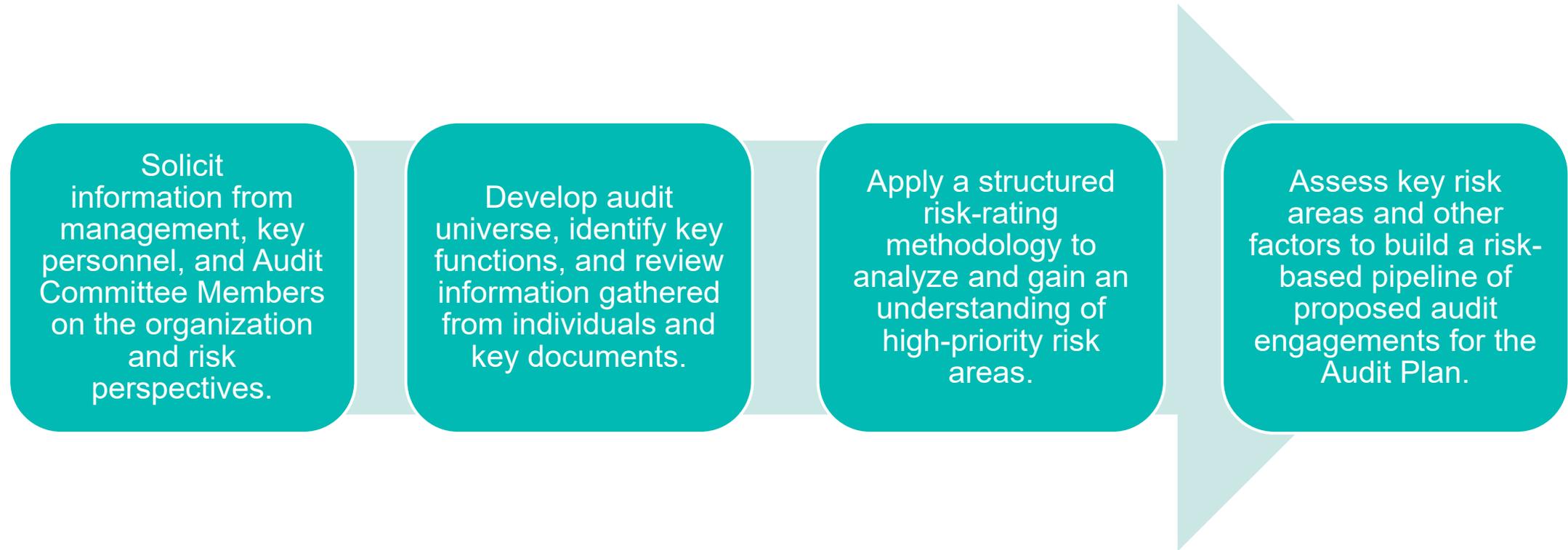
# Risk Assessment & Audit Plan Overview



## 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.



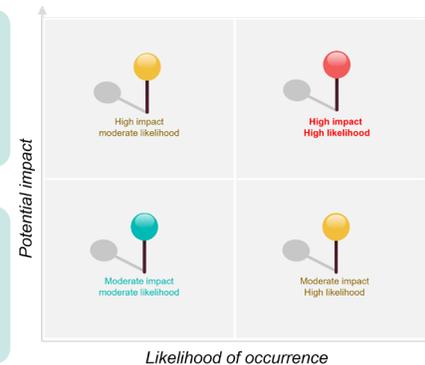
**Impact** reflects the potential severity of consequences if a risk event occurs. It considers effects across several critical areas: service delivery and operations, financial and resource implications, public trust and reputation, and legal, regulatory, or political exposure. Impact is scored on a 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?

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