CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO:	Audit Committees of the Police & Fire Department Retirement Plan and Federated City Employees' Retirement System	**FROM:**	Kate Murdock Baker Tilly Advisory Group
SUBJECT:	Revised FY2026-2027 Audit Plan	**DATE:**	August 20, 2026

RECOMMENDATION

Discussion and action on the revised FY2026-2027 Audit Plan from Baker Tilly.

BACKGROUND

Baker Tilly Advisory Group, LP, (Baker Tilly) acting in its capacity as the outsourced internal auditor for the San Jose Office of Retirement Services (ORS) and per the terms of the contract for services, conducted an agency-wide risk assessment and developed a 5-year audit plan (FY2027-2031). In accordance with the contract, Baker Tilly provides an annual one-year plan to guide the upcoming fiscal year's audit work.

ANALYSIS

Baker Tilly developed the FY2026-2027 Audit Plan based on the risk assessment conducted in the Spring of 2026. This plan included one advisory project (1099-R Reporting) and one audit project (Investment Management Process), both to be completed by December 31, 2026.

Upon meeting with staff to discuss kick off the 1099-R Reporting Advisory Project, it was determined advisory services were no longer needed in this area and that a future audit would be more beneficial to confirm new processes are effective and efficient.

Baker Tilly is also proposing to better align the audit services contract budget with the audit plan. The revised FY2026-2027 Audit Plan outlines four projects and replaces the 1099-R Reporting Advisory Project with an alternate audit project. The first two projects will commence in August/September 2026, and the second two projects will commence in January/February. Preliminary audit objectives of the four audits are outlined below:

- **Investment Management Process** – Determine whether controls over investment valuation and financial reporting, including accuracy of Net Asset Valuation are effective and evaluate the completeness and accuracy of data from investment managers.

- **Contribution Returns Process** – Determine whether controls over member refund processing and reporting are effective, including authorization, accuracy, timeliness, fraud prevention, tax treatment, accounting, reconciliations, and timely resolution of discrepancies.

- **Benefits Disbursements Process** – Determine whether controls over benefit payment processing and reporting are effective, including eligibility, calculation accuracy, payment execution, banking information, tax treatment, fraud prevention, financial recording, audit trails, reconciliations, and timely resolution of discrepancies.

- **IT Governance & Management** – Determine whether IT governance and management processes effectively align IT strategy, investment, and resources with organizational objectives, establish appropriate roles, responsibilities, policies and oversight; and support effective risk management, prioritization, decision-making, accountability and escalation of significant IT matters.

CONCLUSION

The Internal Auditor recommends the Joint Audit Committee accepts and approves the revised FY2026-2027 Audit Plan

Kate Murdock

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