

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: FY27-31 Risk Assessment and Proposed
5-Year Internal Audit Plan

DATE: May 21, 2026

RECOMMENDATION

Discussion and action on the Risk Assessment Results and Proposed 5-Year 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).

ANALYSIS

As part of the risk assessment process, Baker Tilly obtained an understanding of ORS' control environment, business functions, and organizational objectives. We interviewed individuals from key oversight bodies, agency leadership, and staff across the organization, including members of the Joint Audit Committee, to gain insight into current issues and identify risks across financial and operational functional areas. In addition, we reviewed budget documents, financial statements, policies, strategic plans, prior audit plans, and audit reports to further inform our assessment of key risk areas.

In collaboration with management, identified risks were evaluated based on their likelihood of occurrence and potential impact to the organization. Risks were then prioritized considering their overall risk rating, as well as additional factors such as potential value to the organization, coverage provided by other audit and assessment activities, and relevant industry trends. This process informed development of the proposed five-year audit plan.

The first year of the audit plan will commence in June/July 2026 and include the following advisory and audit engagements:

- **1099-R Reporting Advisory Project** – Asses the design and operating effectiveness of controls related to the organization's transition from the IRS FIRE system to the IRIS platform.
- **Investment Management Process** – Assess the design and effectiveness of controls over investment valuation and financial reporting, including accuracy of Net Asset Valuation and the completeness and accuracy of data from investment managers.

For more information about the risk assessment and audit planning processes as well as the full list of audits proposed for the 5-year audit plan period, please see the attached Risk Assessment and Proposed 5-Year Internal Audit Plan.

CONCLUSION

The Internal Auditor recommends the Joint Audit Committee accepts and approves the results of the FY27-31 Risk Assessment and Proposed 5-Year Internal Audit Plan.

Kate Murdock

Baker Tilly
Internal Audit Consultant