

AMEND BOARD REPORT 01-0627-PR29
AMEND BOARD REPORT 00-0628-PR40:
APPROVE EXERCISING THE SECOND OPTION TO EXTEND THE AGREEMENT
WITH KPMG LLP FOR INTERNAL AUDIT SERVICES

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve exercising the second option to extend the agreement with KPMG LLP to provide internal audit services to the Department of Audit Services at a cost for the second option period not to exceed ~~\$2,100,000~~ **\$2,481,165**. A written document exercising this second option is currently being negotiated. No payment shall be made to Consultant during the second option period prior to the execution of the written second option document. The authority granted herein shall automatically rescind in the event a written second option agreement is not executed within 60 days of the date of this Board Report. Information pertinent to this option is stated below.

This amendment is required to extend the term of the agreement until September 30, 2001 to allow additional time for an RFP for internal audit services to be properly evaluated. The previously approved funding authority for \$2,100,000 is sufficient to cover the amended agreement period and there will be no increase in funding. A written amendment to the agreement is required. The authority granted herein shall automatically rescind in the event a written amendment is not executed within 60 days of this amended Board report.

This second amendment is required to increase the dollar amount of the contract by \$381,165 due to additional projects performed to date and due to an increase in chargeable hours during the option period. A written amendment to the agreement is required. No payment for these additional projects shall be made prior to the execution of the written amendment. The authority granted herein shall automatically rescind in the event a written amendment is not executed within 60 days of this amended Board report.

Specification Number: 00-250513

Contract Number: 98-250624

CONSULTANT: KPMG LLP
 303 East Wacker Drive
 Chicago, IL 60601
 Contact Person: Mark Stauffer
 312/665-5391
 Vendor# 23326

USER: Department of Audit Services
 125 S. Clark Street, 5th Floor
 Chicago, IL 60603
 Leonard Moody
 773/553-1481

ORIGINAL AGREEMENT: The original Internal Audit Services agreement (authorized by Board Report 98-1216-PR33) was for a term commencing August 1, 1998 and ending June 30, 1999, with the Board having 3 option(s) to extend the agreement for 1 year term(s). The Board exercised its first option to extend the agreement (authorized by Board Report 99-0728-PR37) for a term commencing July 1, 1999 and ending June 30, 2000.

OPTION PERIOD: By mutual agreement of the parties, the term of this Agreement is being extended for fifteen (15) months commencing July 1, 2000 and ending September 30, 2001.

OPTION PERIODS REMAINING: There is 1 option period for 1 year remaining.

SCOPE OF SERVICES: KPMG LLP will continue to execute a risk-based internal audit plan by working collaboratively with the CPS management review programs, policies and procedures, and make recommendations to improve compliance, effectiveness and efficiency. The contract is based on a range of 17,000 to ~~20,000~~ **23,600** chargeable hours for the ~~fiscal year~~ option period.

DELIVERABLES: During the second option period, KPMG shall continue to provide the following:

- Individual detailed audit reports for identified CPS business units and programs, to include an executive summary and detailed findings, recommendations and management action plans.

OUTCOMES: As a result of each review, KPMG LLP will provide specific relevant recommendations that will assist CPS management in improving compliance with policies and procedures and improve the effectiveness and efficiency of operations.

COMPENSATION: Consultant shall be paid during this option period as follows: Hourly rates detailed in Exhibit C of the agreement, not to exceed the sum of ~~\$2,100,000~~ \$2,481,165 for the second option term.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written option document. Authorize the President and Secretary to execute the option document. Authorize the Director of Audit Services to execute all ancillary documents required to administer or effectuate this option agreement.

AFFIRMATIVE ACTION: The vendor has proposed M/WBE participation for the renewal period and has identified the following firms and percentages:

22.1% African American:			M/WBE Certification Date
Hill Taylor	3.8%	\$94,284.00	9/30/01
116 S. Michigan, Chicago, IL. 60603			
Chears & Associates	2.8%	\$69,472.00	7/31/02
35 East Wacker Drive, Chicago, IL. 60601			
Sayers Computer	15.5%	\$384,580.00	12/30/01
1150 Feehanville Drive, Mt. Prospect, IL. 60056			
11.3% Hispanic:			
Gladys R. Wilson	7.0%	\$173,681.00	6/30/02
3439 N. Harlem Ave., Chicago, IL.			
Stratus Consulting	4.4%	\$109,171.00	9/20/01
300 W. Washington, Chicago, IL. 60601			
3.4% Asian:			
Gerardo Liwanaq & Associates	3.4%	\$84,359.00	8/31/02
236 Waukegan Road, Chicago, IL. 60025			
5.0% WBE:			
The Bronner Group	5.0%	\$124,058.00	5/31/02
120 N. LaSalle #1300, Chicago, IL. 60611			

The identified firms are certified by the City of Chicago/Department of Purchases Contracts and Supplies. The identified Consultants are subject to change upon approval from the division of Compliance and Vendor Services in Procurement and Contracts Department without further Board approval.

LSC REVIEW: Local School Council approval is not applicable to this report.

FINANCIAL:	Charge to Department of Audit Services: \$2,000,000	Fiscal Year: 2001
	Charge to Department of Audit Services: \$ 100,000	Fiscal Year: 2001
	Charge to Department of Audit Services: <u>\$ 381,165</u>	<u>Fiscal Year: 2002</u>

Source of Funds:

Budget Classification: 0110-210-000-1013-5410	\$2,000,000	General Fund
Budget Classification: 0110-477-000-1013-5410	\$100,000	Capital Improvement
		Bonds of 2000A-477
<u>Budget Classification: 0110-210-000-1013-5410</u>	<u>\$381,165</u>	<u>General Fund</u>

GENERAL CONDITIONS:

Inspector General – Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness – The Board's Indebtedness Policy adopted July 26, 1995 (95-0726-EX3), as amended from time to time, shall be incorporated into and made a part of the agreement.

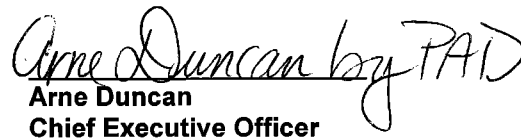
Ethics – The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:


Anita Rocha
Acting Chief Purchasing Officer

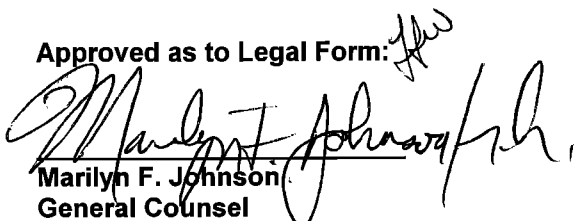
Approved:


Arne Duncan
Chief Executive Officer

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to Legal Form:


Marilyn F. Johnson
General Counsel