

**RATIFY EXERCISING THE SECOND OPTION TO RENEW THE AGREEMENT WITH KPMG, LLP
FOR INTERNAL AUDIT SERVICES**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Ratify exercising the second option to renew the agreement with KPMG, LLP to provide internal audit services to the Department of Audit Services at a cost not to exceed \$1,057,335. A written renewal agreement for the vendor is currently being negotiated. No payment shall be made to the vendor during the renewal period prior to the execution of the written renewal agreement. The authority granted herein shall automatically rescind in the event a written renewal agreement is not executed within 90 days of the date of this Board Report. Information pertinent to this agreement is stated below.

Specification Number: 01-250016A

Contract Administrator: Patricia Hernandez (773) 553-2256

VENDOR: KPMG, LLP
303 East Wacker Drive
Chicago, IL 60601
Contact Person: Mike Hughes
(312) 665-1933
Vendor #23326

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

ORIGINAL AGREEMENT: The original agreement (authorized by Board Report 02-0327-PR30) is for a term commencing April 1, 2002 and ending June 30, 2003, with the Board having two (2) options to renew for additional one year periods, with the hourly rates to be renegotiated. The original agreement was awarded pursuant to a duly advertised RFP (Specification No. 01-250016A). The agreement was extended for a term commencing July 1, 2003 and ending June 30, 2004 (authorized by Board report 03-0527-PR36).

OPTION PERIOD: The term of this agreement is being extended for a period of twelve months beginning July 1, 2004 and ending June 30, 2005.

OPTION PERIODS REMAINING: There are no option periods remaining.

SCOPE OF SERVICES: KPMG will continue to provide internal audit services including the execution of an internal audit plan for the Board by collaboratively working with the Board's management review programs and the Board's policies and procedures, and will make recommendations to improve compliance, effectiveness and efficiency.

DELIVERABLES: KPMG shall provide the following:

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

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

COMPENSATION: The consultant shall be paid during the term based on the hourly rates identified in the vendor's renewal agreement, not to exceed the sum of \$1,057,335.

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

AFFIRMATIVE ACTION: This contract is in full compliance with the goals required by the Revised Remedial Plan for Minority and Women Business Enterprise Contract Participation (M/WBE Plan). The M/WBE participation goals for the contract include; 35% total MBE, 22% total African American, 10% Hispanic, 2% total Asian and 5% WBE.

The vendor has identified and scheduled the following firms and percentages.

Total MBE 35%

22% African American

Washington, Pittman & McKeever
819 S. Wabash Ave. 7% @ \$94,850.00
Chicago, IL. 60605 certified until May 31, 2007

Chears & Associates, Inc.
542 S. Dearborn, suite 660 3% @ \$40,650.00
Chicago, IL. 60605 Certified until Aug.1, 2007

Hill Taylor LLC.
116 S. Michigan Ave. 7% @ \$94,850.00
Chicago, IL. 60603 Certified until June 30, 2006

Total Maintenance Concepts
201 James Trail 5% @ \$67,750.00
Bensenville, IL. 60106 Certified until May 31, 2006

10% Hispanic

Gladys R. Wilson & Associates
3439 N. Harlem Ave. 10% @ \$135,500.00
Chicago, IL. 60634 Certified until June 30, 2006

3% Asian

Gerardo G. Liwanag & Associates
236 Waukegan Road 3% @ \$40,650.00
Glenview, IL. 60025 Certified until Sept. 1, 2007

5% WBE

The Bronner Group
120 N. LaSalle Street suite1300 5% @\$67,750.00
Chicago, IL. 60602 Certified until May 31, 2006

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

FINANCIAL: Charge to Department of Audit Services: \$1,057,335
Budget Classification: 0113-210-000-1013-5410 Fiscal Year 2005
Source of Funds: General Fund, 210

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.

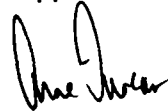
Ethics – The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

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:



Heather Obora
Chief Purchasing Officer

Approved:


Arne Duncan
Chief Executive Officer

Within Appropriation:


John Maiorca
Chief Financial Officer

Approved as to legal form: 


Ruth Moscovitch
General Counsel