

**APPROVE ENTERING INTO AN AGREEMENT WITH KPMG
FOR INTERNAL AUDITING SERVICES**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering into an agreement with KPMG LLP to provide Internal Auditing Services to the Department of Audit Services at a cost not to exceed \$1,600,000. Vendor was selected on a competitive basis in accordance with Board Rule 5-4.1 pursuant to a duly advertised Request for Proposal (Specification Number 05-250008). A written agreement for the vendor is currently being negotiated. No services shall be provided by vendor and no payment shall be made to vendor prior to the execution of the written agreement. The authority granted herein shall automatically rescind in the event a written agreement is not executed within 90 days of the date of this Board Report. Information pertinent to this agreement is stated below.

Specification Number: 05-250008

Contract Administrator: Martha Escareno

VENDOR: KPMG , LLP
303 East Wacker Drive
Chicago, Illinois 60601-5212
Contact person: Bridget M. Anderson
Tel No.: 312 665-1719
Vendor No.: 23326

USER: Department of Audit Services
125 S. Clark – 5th Floor
Chicago, Illinois 60603
Contact Person: Leonard Moody
Tel. No.: (773) 553-1481

TERM: The term of the agreement shall commence on July 1, 2005 and shall end June 30, 2007. The Board shall have the option to renew the agreement for two (2) additional one-year periods.

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

DELIVERABLES: KPMG shall provide the following:

- An annual risk assessment report, by business process, which will identify and prioritize the Board's risk based on management input and Audit Services' detailed analysis and judgment
- Individual detailed audit report 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: Vendor shall be paid during the term based on the hourly rates identified in the vendor's agreement, not to exceed the sum of \$1,600,000.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written agreement. Authorize the President and Secretary to execute the 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% total Hispanic, 2% total Asian and 5% WBE.

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

Total MBE 35%

African American 22%

Washington, Pittman & McKeever
819 S. Wabash Ave. ste., 600
Chicago, IL. 60605

7% participation
Certification expires 6/1/05

Chears & Associates, Inc.
542 S. Dearborn, ste., 660
Chicago, IL. 60605

3% participation
Certification expires 8/1/05

Hill Taylor, LLC.
116 S. Michigan Ave 11th floor
Chicago, IL. 60603

7% participation
Certification expires 7/1/05

Total Maintenance Concepts
201 James Street
Bensenville, IL. 60106

5% participation
Certification expires 6/1/05

Hispanic 10%

Gladys R. Wilson & Associates
3439 N. Harlem Ave.
Chicago, IL. 60634

10% participation
Certification expires 7/1/05

Asian 3%

Gerardo G. Liwanag & Associates
236 Waukegan Road
Glenview, IL. 60025

3% participation
Certification expires 9/1/05

Total WBE 5%

Women Business Enterprises 5%

Bronner Group, LLC
120 N. LaSalle Street #1300
Chicago, IL. 60602

5% participation
Certification expires 6/1/05

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

FINANCIAL: Charge to Department of Audit Services: \$1,600,000 Fiscal Years: 2006 - 2007
Budget Classifications: 0113-210-000-1013-5410
Source of Funds: 210 – General

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.

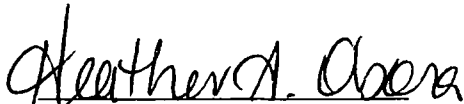
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their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

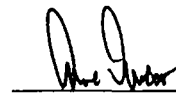
Ethics – The Board’s Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

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).

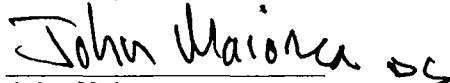
Approved for Consideration:


Heather A. Obora
Chief Purchasing Officer

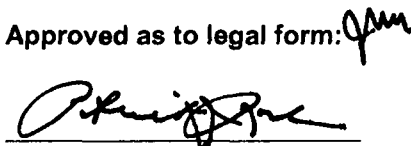
Approved:


Arne Duncan
Chief Executive Officer

Within Appropriation:


John Maiorca
Chief Financial Officer

Approved as to legal form:


Patrick Rocks
General Counsel