APPROVE ENTERING INTO AN AGREEMENT WITH KPMG, LLP FOR INTERNAL AUDIT SERVICES

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering into an agreement with KPMG, LLP to provide internal audit services to the Department of Audit Services at a cost not to exceed $1,500,000. Vendor was selected pursuant to a duly advertised Request for Proposals (Specification #01-250016A). A written agreement for the vendor is currently being negotiated. No payment shall be made to the vendor prior to the execution of a 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: 01-250016A

VENDOR: **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
Contact Person: Leonard Moody
(773) 553-1481

TERM: The term of this agreement shall commence on April 1, 2002 and shall end on June 30, 2003. The Board shall have the option to renew the agreement for two (2) additional one-year periods, with the hourly rates for the vendor to be re-negotiated.

SCOPE OF SERVICES: KPMG 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 programs 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 risks based on management input and Audit Services' detailed analysis and judgment.
- 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 agreement, not to exceed the sum of $1,500,000.

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

AFFIRMATIVE ACTION: Vendor agrees to comply with and be bound by the provisions of the Revised Remedial Plan for Minority and Women Business Enterprise Economic participation (M/WBE Plan).

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

FINANCIAL: Charge to Department of Audit Services: $1,500,000
Budget Classification: 0110-210-000-1013-5410 -- $1,500,000 Fiscal Year 2002
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:

Anita Rocha
Acting Chief Purchasing Officer

Approved:

Arne Duncan by PAD

Arne Duncan
Chief Executive Officer

Within Appropriation:

Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form:

Marilyn F. Johnson
General Counsel