

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.

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.

Specification Number: 00-250513

Contact 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, ~~43th Floor~~ 5th Floor
Chicago, IL 60603
~~Chuck Burbridge~~ Leonard Moody
~~773/553-3282~~ 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: Pursuant to ~~paragraph 8.2 of the Agreement~~ By mutual agreement of the parties, the term of this Agreement is being extended for ~~4 year~~ fifteen (15) months commencing July 1, 2000 and ending ~~June 30~~ 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 chargeable hours for the fiscal year.

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

- An annual risk assessment report, by business process, which will identify and prioritize CPS' risks based on management input and Audit Services' detailed analysis and judgment.
- 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 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: 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: \$2,000,000 Fiscal Year: 2001
Charge to Department of Audit Services: \$100,000 Fiscal Year: 2001

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

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.

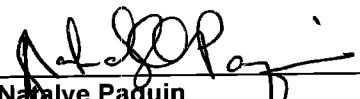
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their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


Natalye Paquin
Chief Purchasing Officer

Approved:


Paul G. Vallas
Chief Executive Officer

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form: 


Marilyn F. Johnson
General Counsel