

**APPROVE EXERCISING THE SECOND OPTION TO RENEW THE AGREEMENT
WITH PINNACLE RESEARCH INC. FOR CONSULTING SERVICES**

THE INSPECTOR GENERAL REPORTS THE FOLLOWING DECISION:

Approve exercising of the second option to renew the agreement with Pinnacle Research Inc. to provide investigative consulting services to the Office of the Inspector General at a cost for the option period not to exceed \$275,000. A written option document is currently being negotiated. No payment shall be made to the investigative firm during the option period prior to the signing of the renewal agreement. The authority granted herein shall automatically rescind in the event a written document is not executed within 60 days of the date of this Board Report. Information pertinent to this option is stated below.

CONSULTANT: Pinnacle Research Inc.
90 North Street, Suite 224
Park Forest, Illinois 60466
(708) 283-9500
Michael J. Anthony, President
Vendor #29566

USER: Office of the Inspector General
310 South Michigan, Suite 1300
Chicago, Illinois 60604
(773) 534-8711
James M. Sullivan, Interim Inspector General

ORIGINAL AGREEMENT: The original Consulting Agreement (authorized by Board Report 00-1115-IG1) in the amount of \$585,000, is for the term commencing January 1, 2001 and ending December 31, 2001, with the Board having the option to extend the agreement for four additional one year periods. The agreement was renewed in the amount of \$585,000 for a term commencing on January 1, 2002 and ending December 31, 2002 (authorized by Board Report 01-1128-IG1).

OPTION PERIOD: The term of this agreement is being extended for one year commencing January 1, 2003 and ending December 31, 2003.

OPTION PERIODS REMAINING: There are two option periods for one year each remaining.

EARLY TERMINATION RIGHT: The Board shall have the option, in its sole discretion, to terminate this option agreement on thirty (30) calendar days written notice.

SCOPE OF SERVICES: Pinnacle Research will continue to conduct highly complex investigations involving primarily contractual matters. Pinnacle Research will continue to hire and manage investigators with extensive experience in white-collar-crime and fraud investigations. The investigative firm will continue to investigate and document the results of investigations assigned by the Inspector General in the following general areas: surveillance, collection and analysis of documents, interviews, training of Inspector General Staff, testifying at hearings or trials and other matters as directed by the Inspector General.

DELIVERABLES: The investigative firm will continue to provide complete written investigative reports including the case reports, evidence, written statements from the interviews of witnesses and subjects and will provide recommendations for improving the school system or for correcting material weaknesses in board processes. A significant portion of this investigative firm's work focuses on capital construction projects. The investigative firm will continue the training of the staff of the Inspector General. The investigative firm will testify at hearings and/or trials related to its investigative reports.

OUTCOMES: The results of the investigations will corroborate or disprove the allegation(s) and may result in the recovery of money and the disciplining of staff or recovery of money from contractors that did not meet specifications and possible debarment of contractors. The training will improve the ability of staff to conduct thorough investigations.

COMPENSATION: The Consultant shall be paid as follows: hourly blended rate of \$100 per hour not to exceed the sum of \$275,000.

REIMBURSABLE EXPENSES: The Consultant shall be reimbursed reasonable and detailed expenses, which shall not exceed 7.5 percent of the total amount of compensation. The total compensation amount reflected herein is inclusive of all reimbursable expense.

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 Inspector General to execute all ancillary documents required to administer or effectuate this option agreement.

AFFIRMATIVE ACTION: The Contractor has proposed M/WBE compliance for the renewal period and has identified the following firms and percentages.

83% African American

(i) Pinnacle Research Inc., 90 North Street, Suite 224, Park Forest, Illinois 60466 \$228,250

7.5% Hispanic:

- (i) C.M. Technology, 909 Foster St. #104, Evanston, IL 60201
 - (ii) Sanchez & Daniels, 333 W. Wacker Dr., #500, Chicago, IL 60606 (Indirect)
 - (iii) Salsedo Press, 3139 W. Chicago, Chicago, IL 60622 (Indirect)
 - (iv) Salazar & Navas, Inc., 760 N. Ogden, Ste. 2200, Chicago, IL 60622 (Indirect)
 - (v) Bravos Paving, 17063 Westview Ave. South Holland, IL 60473 (Indirect)
 - (vi) Henriquez Studio, 2223 W. Roscoe, Chicago, IL 60618 (Indirect)
- Total: \$27,500

2% Asian:

- (i) Kenitec Tech/PC Warehouse, 2916 W. Ogden, Naperville, IL 60148 (Indirect)
 - (ii) Encore Paper & Supply, 3 First Nat'l Plaza, #1400, Chicago, IL 60602 (Indirect)
- Total: \$5,500

5% Women Owned:

- (i) Watson Dwyer, Inc., 25 E. Washington, #707, Chicago, IL 60602 (Indirect)
 - (ii) Specialties Plus, 444 N. Wells St., Ste. 205, Chicago, IL 60610 (Indirect)
 - (iii) Advanced Systems Consultants, 945 Shetland Dr., Frankfort, IL 60423 (Indirect)
 - (iv) A.D. Floor Care, Inc., 9248 S. Homan Ave., Evergreen Park, IL 60805 (Indirect)
 - (v) C'Est Si Bon, Ltd, 5225 S. Harper Ave., Chicago, IL 60615 (Indirect)
 - (vi) Clarice A. Polock, 5455 N. Sheridan Ave., Suite 804, Chicago, IL 60640
 - (vii) Heritage Travel Agency, 6446 N. Central Ave., Chicago, IL 60646 (Indirect)
 - (viii) AllPoints Security and Detective, 2112 E. 71st St., Chicago, IL 60649
- Total: \$13,750

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

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

FINANCIAL: Charge to Office of the Inspector General: \$275,000

Budget Classification: 0011-492-000-1080-5410 \$175,000 Fiscal Year: 2002
0011-401-000-1080-5410 \$50,000 Fiscal Year: 2003
0011-210-000-1007-5410 \$50,000 Fiscal Year: 2003

Source of Funds: 210 – General Education Fund
492 – Capital Project
401 – Capital Project

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 Board of Trustees 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.

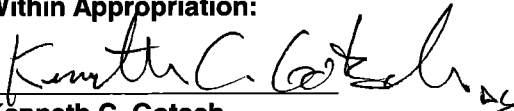
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their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

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form:


Marilyn F. Johnson
General Counsel