

February 28, 2007

AMEND BOARD REPORT 06-0322-PR7
APPROVE ENTERING INTO AN AGREEMENT WITH McGLADREY & PULLEN, LLP
FOR EXTERNAL AUDIT SERVICES

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering into an agreement with McGladrey and Pullen LLP to provide consulting services to Chicago Public Schools Office of School Financial Services, at a cost of \$698,000 for fiscal year 2006; \$738,000 for fiscal year 2007; \$780,000 for fiscal year 2008, and; \$824,000 for fiscal year 2009, not to exceed \$3,040,000 in total. McGladrey and Pullen LLP was selected pursuant to a duly authorized Request for Proposal (specification 05-250036). A written agreement for these services is currently being negotiated. No services shall be provided by the Consultant, and no payment shall be made to the Consultant prior to the execution of the written agreement. The authority granted herein shall automatically rescind in the event a written document is not executed within 90 days of the date of this Board Report. Information pertinent to this ~~option~~ agreement is stated below.

This amendment is necessary to approve contingency authorization in an amount not to exceed 15% of the annual professional services fees upon approval of the Chief Financial Officer to cover increased costs associated with implementing new governmental accounting standards, complying with audit attestation requests as required by Federal, state, local or other funding agencies, and other additional audit related services. The particular scope of services, fees and compliance with Affirmative Action provisions for each request for additional services will be set forth in a written document signed by the Chief Financial Officer. 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 90 days of the date of this amended Board Report.

Specification Number: 05-250036

Contract Administrator: Martha Escareno
(773) 553-2284

CONSULTANT: McGladrey and Pullen LLP
191 North Wacker Drive
Suite 1400
Chicago, IL 60606
Joseph Evans, Partner
312-782-2190
Vendor # ~~29634~~29778

USER: Office of School Financial Services
125 S. Clark-14th Floor
Chicago, IL 60603
John Maiorca, Chief Financial Officer
(773) 553-2700
Daryl Okrzesik, Controller
(773) 553-2710

TERM: The term of this agreement shall commence on April 1, 2006 and shall end March 31, 2010. This agreement shall have one option to renew for a period of one year at a cost not to exceed \$870,000.

EARLY TERMINATION RIGHT: Either party has the right to terminate this agreement with thirty (30) days written notice.

SCOPE OF SERVICES: Consultant will perform an annual independent audit of the Board for the fiscal years ending June 30, 2006, 2007, 2008 and 2009 that will include:

- A financial audit in accordance with generally accepted auditing standards and government auditing standards
- A single audit in accordance with the U.S. Accounting Office's, Government Accounting Standards, as amended (also known as the Yellow Book)
- Review of internal controls
- Data processing review
- Management Letter of Recommendations that contains findings and best practices noted during the audit
- Additional work in support of implementing new governmental accounting standards, complying with audit attestation requests as required by Federal, state, local or other funding agencies, and other audit related services upon approval of the Chief Financial Officer

DELIVERABLES: Consultant will provide the following reports and deliverables:

- Independent auditors' report on the basic financial statements performed in accordance with generally accepted auditing standards and government auditing standards
- Independent auditors' report on internal control over financial reporting and on compliance and on other matters based on an audit of financial statements performed in accordance with government auditing standards
- Independent auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133
- Presentation of audit results including required auditor communications to the Board Members
- Management Letter of Recommendations including the following information:
 - o Items reported in previous Management Letter have been corrected and recommendations implemented.
 - o Process and procedure improvements noted during the audits.
 - o Responses and action plans from management.
- Other deliverables as agreed to by the Chief Financial Officer for additional scope of services

OUTCOMES: The annual audit will result in:

- Letter of recommendation commenting on assessment of risk controls to identify and evaluate the effectiveness of internal controls and management risks within the key business processes

COMPENSATION: Consultant shall be paid in three equal installments per year. Fees for additional scope of services shall be paid based upon the negotiated fee schedule and submission of the deliverables and shall be payable upon invoicing.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written agreement and amendment. Authorize the President and Secretary to execute the agreement and amendment. Authorize the Chief Financial Officer to execute all ancillary documents required to administer or effectuate this agreement.

AFFIRMATIVE ACTION: This contract is in full compliance with goals required by the Revised Remedial Plan for Minority and Women Business Enterprise Contract Participation (M/WBE). The M/WBE participation goals for this contract are 35% MBE and 5% WBE.

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

Total MBE 35%

E.C. Ortiz & Company, LLP
333 S. Des Plaines, 2-N
Chicago, IL 60661

Certified until November 16, 2006

Total WBE 5%

Velma Butler & Co., Ltd.
6 East Monroe Street, Suite 400
Chicago, IL 60603

Certified until March 1, 2006

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

FINANCIAL: Charge to School Financial Services: up to \$698,000 Fiscal Year: 2006
Charge to School Financial Services: up to \$738,000 Fiscal Year: 2007
Charge to School Financial Services: up to \$780,000 Fiscal Year: 2008
Charge to School Financial Services: up to \$824,000 Fiscal Year: 2009
Contingency authorization not to exceed 15% of annual fee per fiscal year
Budget Classification: 12410 – 115 – 54125 – 252501
Source of Funds: Various Departments/Programs

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 June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board's Ethics Code adopted June 23, 2004 (04-0623-PO4), 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

Approved for Consideration:



**Heather A. Obora
Chief Purchasing Officer**

Approved:



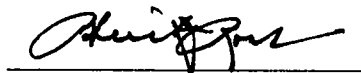
**Arne Duncan
Chief Executive Officer**

Within Appropriation:



**John Malorca
Chief Financial Officer**

Approved as to legal form: 



**Patrick Rocks
General Counsel**