

**APPROVE ENTERING INTO AN AGREEMENT WITH MCGLADREY AND PULLEN, LLP FOR  
EXTERNAL AUDIT CONSULTING 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 Financial Services at a cost not to exceed \$3,276,465. Consultant was selected on a competitive basis pursuant to Board Rule 7-2. A written agreement for Consultant's services is currently being negotiated. No services shall be provided by Consultant and no payment shall be made to Consultant 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 : 10-250040  
Contract Administrator : Martha Escareno / 773-553-2284

**VENDOR:**

- 1) Vendor # 29778  
MCGLADREY & PULLEN, LLP  
1 SOUTH WACKER DRIVE., STE 800  
CHICAGO, IL 60606-3392  
Joseph J. Evans  
312-634-4540

Partner

**USER:**

Corporate Accounting  
125 South Clark Street 14th Floor  
Chicago, IL 60603

Contact : Daryl Okrzesik  
Phone: 773-553-2727  
Project Manager: Vincent Chiu  
Phone: 773-553-2729

**TERM:**

The term of this agreement shall commence on the date the agreement is executed and shall end February 28, 2015. This agreement shall have one option to renew for a period of one year. The parties currently have an agreement for external audit services dated April 1, 2006 for a term ending March 31, 2010, which was extended through March 31, 2011 (authorized by Board Report 10-0127-PR13). In the event that the new agreement with McGladrey and Pullen is executed prior to March 31, 2011, it shall stipulate that the prior agreement shall terminate upon execution of the new agreement.

**EARLY TERMINATION RIGHT:**

The Board shall have the right to terminate this agreement with 30 days written notice.

**SCOPE OF SERVICES:**

Consultant shall perform an annual independent audit of the Board for the fiscal years ending 2011, 2012, 2013 and 2014 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
- Review of computer system and related database
- Management Letter of Recommendations that contains findings and best practices noted during the audit
- Review of the Illinois School District Annual Financial Report (AFR) Audit to ensure the audit is performed in accordance with 23 Illinois Administrative Code Part 100
- Additional work in complying with audit attestation requests as required by federal, state, local or other funding agencies and other audit related services.

**DELIVERABLES:**

Consultant shall 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 compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133
- 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
- Presentation of audit results including required auditor communications to the Board Members
- Certification of the Illinois School District Annual Financial Report (AFR) Audit to ensure it was prepared in accordance with applicable standards and requirements per 23 Illinois Administrative Code Part 100
- Management Letter of Recommendations including status of items reported in previous Management Letter; process and procedure improvements noted during the audits; and responses and action plans from management.
- Other deliverables as agreed to by the Chief Financial Officer for additional scopes of service

**OUTCOMES:**

Consultant's services will result in issuance of an opinion letter in accordance with generally accepted auditing standards (GAAP) and the standards applicable to financial audits contained in Government Auditing Standards. The annual audit will result in a 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 during this option period as follows: an annual fee payable in three equal installments per year not to exceed the sum of \$2,849,100 for the term and a contingency amount of 15% of the annual fee or \$427,365 for the term for additional services. Fees for additional scope of service shall be paid based upon the negotiated fee schedule and submission of the deliverables and shall be payable upon invoicing. The aggregate of all additional scopes of service shall not exceed 15% of the annual fee per fiscal year. The total compensation for the term shall not exceed the sum of \$3,276,465.

**REIMBURSABLE EXPENSES:**

None.

**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 Chief Financial Officer to execute all ancillary documents required to administer or effectuate this agreement.

**AFFIRMATIVE ACTION:**

This contract is in full compliance with the goals of 30% MBE and 5% WBE required by the Remedial Program for Minority and Women Business Enterprise Contract Participation for Goods and Services Contracts (M/WBE Program). The vendor has identified the following:

**Total MBE: 30%**

E. C. Ortiz & Co.  
333 S. Des Plaines  
Chicago, Illinois 60661

**Total WBE: 10%**

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

Arrow Messenger  
1322 W. Walton  
Chicago, Illinois 60642

On3 Promotional Partners, LLC  
1543 Sheridan Road  
Kenosha, Wisconsin 53140

**LSC REVIEW:**

Local School Council approval is not applicable to this report.

**FINANCIAL:**

Charge to School Financial Services: up to \$3,276,465

Total Annual Fee: \$2,849,100

Total Contingency Authorization: \$427,365

Contingency authorization is not to exceed 15% of annual fee per fiscal year in budget classification 12410-115-54125-252501. Budget classes are listed below with the respective Annual Fee amounts:

12410-115-54125-252501-000000-2011	\$693,600.00
12410-115-54125-252501-000000-2012	\$705,820.00
12410-115-54125-252501-000000-2013	\$718,520.00
12410-115-54125-252501-000000-2014	\$731,160.00

**CFDA# :** Not Applicable

**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 in the subsequent fiscal year budget(s).

Approved for Consideration:



OPAL L. WALLS  
Chief Purchasing Officer

Approved:



TERRY MAZANY  
Chief Executive Officer

Within Appropriation:



DIANA S. FERGUSON  
Chief Financial Officer

Approved as to Legal Form:



PATRICK J. ROCKS  
General Counsel