

**APPROVE EXERCISING THE FIRST OPTION TO RENEW THE AGREEMENT
WITH DELOITTE AND TOUCHE LLP FOR EXTERNAL AUDIT SERVICES**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve exercising the first option to renew the agreement with Deloitte and Touche LLP to provide external audit services to the Office of School Financial Services at a cost for the option period not to exceed \$1,173,000. A written document exercising this option is currently being negotiated. No payment shall be made to Consultant during the option period prior to the execution of the written document. 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 is stated below.

CONSULTANT: Deloitte and Touche LLP
Two Prudential Plaza
180 N. Stetson Ave.
Chicago, IL 60601
Michael Mayo, Partner
312-946-3000
Vendor # 46243

USER: Chicago Public Schools
Office of School Financial Services
125 S. Clark
14th Floor – Finance
Chicago, IL 60603
Daryl Okrzesik, Controller
773-553-2710

ORIGINAL AGREEMENT: The original Agreement (authorized by Board Report 02-0522-PR30) in the amount of \$920,000.00 is for a term commencing June 25, 2002 and ending June 24, 2005, with the Board having three options to renew for periods one year each. The original agreement was awarded on a non-competitive basis pursuant to an informal negotiated solicitation for non-biddable goods and services.

OPTION PERIOD: The term of this agreement is being extended for one year commencing June 25, 2005 and ending June 24, 2006.

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

SCOPE OF SERVICES: Consultant will continue to perform an annual independent audit for the fiscal year ending June 30, 2005 to the Board that will include:

- A financial audit in accordance with generally accepted auditing standards
- Review of internal controls that assess the extent to which the controls can be relied upon to ensure accurate information and to ensure compliance with all laws and regulations
- Data Processing review that analyzes and compares certain calculating operations of the computer system and related database with desired results from the test of transactions
- Management Letter that contains the audit findings
- Additional Reports: CAFR, OMB Circular A-133, Memorandum on Internal Control, and other reports required by GASB and GAAS
- Coordinate the printing of the Comprehensive Annual Financial Report (CAFR) and OMB Circular A-133

DELIVERABLES: Consultant will continue to provide the following reports and deliverables:

- Opinion of the financial statements
- Presentation of audited financial results to the Board Members
- Management letter

OUTCOMES: The annual audit will result in:

- A report to the audit committee that will present business and information processing risks that might impact the financial statement
- 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 installments (not to exceed \$970,000 for the year), and shall be reimbursed for printing costs of the annual financial report (not to exceed \$50,000 for the year); the total aggregate annual sum not to exceed \$1,020,000. A contingency authorization not to exceed 15% annually of the professional service fees is authorized upon approval of the Chief Financial Officer to cover unanticipated increases in costs, implementing new government accounting standards, including new GASB guidelines, and other related services. Compliance with Affirmative Action provisions will be documented for any contingency authorizations at the time of approval. Please refer to the attached documentation for additional information regarding the 2005 Proposed Audit fees.

REIMBURSABLE EXPENSES: Consultant shall be reimbursed for annual printing costs not to exceed \$50,000.

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 Chief Financial Officer to execute all ancillary documents required to administer or effectuate this option 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 Plan). The M/WBE participation goals for the contract include: 35% total MBE, 22% total African American, 10% total Hispanic, 3% total Asian and 5% total WBE.

The vendor has identified and scheduled the firms and percentages:

Total MBE 35%

Total African American 22%

Odell Hicks & Co. 180 N. Stetson Chicago, IL 60601	\$133,00	14%	Certified 6/1/05
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Velma Butler & Co. 6 E. Monroe, Suite 400 Chicago, IL 60603	\$76,000	8%	Certified 6/1/05
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Total Hispanic 10%

Prado & Renteria 1837 S. Michigan Chicago, IL 60616	\$95,000	10%	Certified 9/1/05
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Total Asian 3%

Wong & Knowles 340 N. Butterfield Road Elmhurst, IL 60126	\$28,500	3%	Certified 3/1/05
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Total WBE 5%

The Bronner Group \$47,500 5% Certified 6/1/05
120 N. LaSalle, Suite 1300
Chicago, IL 60602

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

FINANCIAL: Charge to School Financial Services: up to \$1,020,000 Fiscal Year: 2005
Charge to School Financial Services: up to \$153,000 Fiscal Year: 2006 Contingency
authorization
Budget Classification: 12410-115-54125-252501
Source of Funds: 115 General Operating Fund

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 member 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.

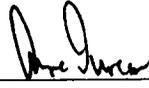
Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:



**Heather A. Oboza
Chief Purchasing Officer**

Approved:



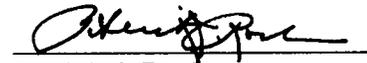
**Arne Duncan
Chief Executive Officer**

Within Appropriation:



**John Malorca
Chief Financial Officer**

Approved as to legal form: 



**Patrick J. Rocks
General Counsel**