

Date: December 18, 2018

To: Dr. Michael Lubelfeld, Superintendent of Schools  
Members of the Board of Education

From: Christopher Wildman, CPA, Chief Financial Officer and Treasurer

Subject: Recommendation to Award a Contract for the Internal Audit Services

Policy Alignment: Policy 4:60 – Purchases and Contracts

Strategic Plan Alignment: Parameter or Objective: We practice fiscal responsibility while maintaining an operating fund balance of at least 25%.

Disposition: Action

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Executive Summary:

In order to ensure that the district is practicing fiscal responsibility, it is important to periodically review the options available to the district for professional services, and issue requests for proposals for those services as deemed appropriate. As a result, on October 11, 2018, the district published in *The Chicago Tribune* a request for proposal (RFP) to provide Internal Audit Services to the district on a contractual basis. All proposals were due by 2:00 p.m. on October 31, 2018.

Four firms submitted proposals in response to our RFP. All four firms; KPMG, Crowe Horwath, Plante Moran, and Sikich were interviewed on November 8, 2018, by administrators; Chris Wildman, Dr. Kevin Ryan, Virginia Brown, Mark Hoversen, and Dan Jenks as Finance Committee Chair. Professional Services, such as auditing, are part of the quality-based selection process and are not subject to the lowest bid selection requirement. In selecting the internal auditing services, we look at the size of the firm, the ability of the staff to service our School District, and its experience in the school business market. Taking these criteria into consideration, it was determined that Sikich was identified as the most qualified firm to provide internal auditing services to District 112.

The District's counsel has reviewed Sikich's engagement letter (see attached) and deemed appropriate for signature. Administration recommended at the November 27, 2018 Regular Board meeting, and further recommends at the December 18, 2018 Regular Board meeting that the Board authorize Administration to engage the firm of Sikich on a contractual basis to provide internal auditing services to the district for the fiscal year ending 2019.

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Recommendation: Approve

Suggested Motion: May I have a motion to move that the Board approve Sikich as the district's Internal Audit Services Firm on a contractual basis, as presented by Administration.



1415 W, Diehl Road  
Naperville, IL 60453  
630-566-8400

**SIKICH.COM**

December 12, 2018

Eric Ephraim, President  
Board of Education of North Shore School District 112  
1936 Green Bay Road  
Highland Park, IL 60035

**Re: Internal Audit Services**

Dear Board President Ephraim,

This engagement agreement (the "Agreement") between Sikich LLP, an Illinois limited liability partnership, ("Sikich", "we", "our" or "us") and the Board of Education of North Shore School District 112 (the "District" or "you" or "your") sets forth the mutual agreements regarding Sikich's provision of the internal audit services detailed below to you (the "Services").

Sikich shall provide the services solicited by the District in its Request for Proposal ("RFP") for Internal Audit Services dated October 11, 2018 (including Addendum 1 thereto, dated October 24, 2018), to which Sikich submitted a response on October 31, 2018 ("Response"). Sikich will provide services in accordance with, and shall comply with, the RFP and the Response, which are incorporated herein by reference. Such services shall include an internal audit review of the District's risk management, governance and internal control processes to determine if the processes are operating effectively. During this internal audit review, Sikich will interview key staff and perform a risk assessment of operations; perform a review of the entity-wide internal control environment; perform internal audits of the treasury, payroll, accounts payable and financial reporting functions; provide recommendations for strengthening internal controls; prepare a summary report of its risk assessment of operations; develop an internal audit plan, if requested; prepare a written report of Sikich's assessment of the entity-wide internal control environment, as well as risk management, governance and internal control processes; present the report and recommendations to the District's Finance Committee; and, provide guidance for implementation as needed. Sikich must provide the District with its final report no later than April 15, 2019.

In the event of a conflict between the RFP and this Agreement or the Response, the RFP shall govern. In the event of a conflict between this Agreement and the Response, this Agreement shall govern.

**General - Services and Fees**

Our Services, including any reports that we might prepare, are intended exclusively for the District.

The total cost of the Services will be based upon the time spent in providing the Services. The range of hourly rates, as set forth in Sikich's RFP response, are Partner \$285, Director \$250, Senior Manager \$190, and Staff \$140. Fees for the services will not exceed \$29,790, as reflected in Sikich's revision of estimated fees submitted to the District on November 12, 2018. Services will be invoiced to you from time-to-time as work progresses. It is understood that you will be responsible for the payment of our fees and payment is

due in accordance with the Local Government Prompt Payment Act. The payment of fees is not contingent upon the nature of the opinions expressed during the term of this Agreement.

The District shall have the right to terminate this Agreement for convenience at any time by providing at least seven (7) calendar days advanced written notice thereof to Sikich. Sikich shall stop all work as of the date of termination and shall be entitled to compensation for the work completed up to the date of termination. Further, Sikich shall deliver to the District its work product and documentation in connection with any incomplete materials as of the date of termination.

We will not have any obligation to issue a report or other document, or communicate our research, analyses, or conclusions, unless all outstanding invoices are paid, or alternative arrangements have been mutually agreed to in writing. We will have no liability to you, or any other person, by reason of not issuing a report, appearing for, and/or providing testimony or other evidence because of a failure to pay all amounts owed to us.

You agree to assume the responsibilities of management for the nonattest services we provide in connection with this engagement; oversee these nonattest Services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of these Services; and accept responsibility for them.

### **Standards and Confidentiality**

We will comply with the Confidentiality Agreement that was included in the RFP.

In accordance with the final rules published by the Federal Trade Commission, commonly referred to as the Gramm-Leach-Bliley Act, the following disclosures are made: In the process of performing the Services or other tasks included in the assignment, we may collect from you, or with your authorization, certain essential information which is non-public and personal, such as information concerning income, expenses, assets, liabilities, and other similar information. We follow reasonable standards for protecting the confidentiality and security of the non-public personal information collected. We will not disclose any non-public personal information about you to any third party, except as permitted by you or required by law or during the cited legal proceeding.

You hereby acknowledge and consent to Sikich's use of third party cloud computing services to store confidential and proprietary information and other data provided to Sikich in the performance of the Services, and you agree that, subject to applicable law, Sikich shall only be liable if it has finally judicially been determined that Sikich did not take commercially reasonable measures to protect the confidential and proprietary information and other data of the District from unauthorized disclosure. The District shall give Sikich confidential student record information (all information that identifies students) and confidential personnel information (including SSNs and other unique identifiers) only to the extent necessary for Sikich to perform the services. At the completion or termination of this Agreement, Sikich will return such confidential information to the District and destroy all copies of such information, with the destruction of electronic copies to be made in accordance with standards of the U.S. DOE's Privacy Technical Assistance Center Guidelines.

### **Disputes; Indemnification; Legally Binding Contract**

This Agreement is a legally binding contract between you and Sikich and will be binding upon, and inure to the benefit of, their respective heirs, assigns, successors-in-interest, and legal representatives (as applicable). It may not be amended without the prior written consent of both parties.

You agree that our maximum liability to you for any negligent errors or omissions committed by us in the performance of the engagement will be limited to the amount of fees we receive from you for this Agreement, except to the extent determined to result from our gross negligence or willful misconduct. You agree that this limitation applies to any and all liability or cause of action against us, however alleged or arising, unless otherwise prohibited by law or professional standards. In no event will Sikich be liable to you or any third party, whether a claim be in tort, contract or otherwise, for any amount in excess of the total professional fees paid pursuant to this Agreement to which the claim relates, or for any consequential, indirect, lost profit, punitive or similar damages relating to Sikich's services provided under this Agreement.

In the event of a dispute involving interpretation or performance under this Agreement, the dispute shall be submitted to arbitration under the rules of commercial arbitration of the American Arbitration Association, the results of which shall be binding on all parties to this Agreement. The arbitration shall be conducted in Chicago, Illinois. The party prevailing at the arbitration shall recover its costs and expenses, including attorneys', arbitrators', and stenographers' fees from the other party.

You acknowledge having read this Agreement in its entirety, have had full opportunity to consider its terms in consultation with your respective legal and financial advisors, have had full and satisfactory explanation of the same, and fully understands and agree to be legally bound by the terms of this Agreement.

Please indicate your understanding and acceptance of this Agreement by executing this Agreement in the space provided below where indicated and return it to our offices indicating your authorization for us to proceed on the above terms and conditions. Please retain the second copy of this Agreement for your files.

Sincerely,  
Sikich LLP



Mary O'Connor, ASA, CFE  
Partner, Forensic and Valuation Services

Acknowledged and Accepted:

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Mr. Eric Ephraim, President  
Board of Education of North Shore School District 112