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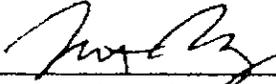
**THE NAVAJO NATION**  
DIVISION OF COMMUNITY DEVELOPMENT

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ARBIN MITCHELL  
ACTING DIVISION DIRECTOR  
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DEPUTY DIRECTOR

**MEMORANDUM**

**TO:** Arbin Mitchell, Acting Division Director  
Division of Community Development

**FROM:**   
Norbert Nez, Computer Operations Manager  
Division of Community Development

**DATE:** June 27, 2006

**SUBJECT:** Onsat Contract C22052 Modification 10 and Invoice 6050887

After an initial review of the documents that Onsat has submitted to Division of Community Development for processing, I have several concerns:

- 1) The amounts are very high for a contract that was supposed to be based on the lowest bid for provision of connectivity services under the e-rate program.
- 2) I'm not sure if the contract contains provisions that protect the Navajo Nation by not obligating itself to pay the full amounts listed on the contract, but that rather the amounts listed should be treated as ceiling amounts and the payable amounts will be based on actual work or service provided.
- 3) The justification to award the e-rate contract was based on the availability of matching funds. These matching funds were supposed to come from revenues generated off of the use of Chapter equipment by Onsat. However, in a written opinion issued by DOJ, that option was not endorsed as a viable arrangement. What this means is that the original premise of availability of matching funds that the selection of the e-rate provider was based on is no longer valid. Does this invalidate the selection of the e-rate provider? Is the Navajo Nation entering into a contract with no identified funding source to support it as required by e-rate rules?
- 4) In the statement of work #14 which details the work to be performed, an alternate point of contact or the position of the current e-rate manager for

the Office of the President should probably be specified instead of an actual person. As I understand, DOJ is currently reviewing a request to clarify a possible conflict of interest with the current e-rate manager with his new responsibilities.

- 5) A statement of work 13 is mentioned in the contract modification cover sheet but is not included in the packet. However, a statement of work 14 is included. I'm not sure if the wording on the contract should refer to statement of work 14.
- 6) Some chapters have begun a transition to DSL services, and according to the understanding that DCD has with Onsat, the plan is that within four years, the Chapter Internet services will migrate from satellite to wireless, DSL, or other broadband source where available. At some Chapters, such as Dilkon, the satellite equipment originally at the Chapter have been relocated to an alternate location such as the public safety offices by Onsat. The contract terms should clearly indicate that the amounts estimated on the statement of work and the contract modification are subject to services provided only to those Chapters actually utilizing the Onsat services for broadband delivery.
- 7) Due to the concern raised in #6 above, invoices submitted including invoice 6050887 (attached) should be accurate in identifying the number of locations where service is actually provided. Currently, the actual number of sites using the Onsat system for primary broadband service is less than 110 chapter libraries.
- 8) If this last contract modification and statement of work is to truly represent the proposed transition process described in Mr. Stephens' letter, then the contract and statement of work terms should allow for transition from primary connections to backup or no connections. Currently, it appears that even though there are alternative connections made such as DSL or T-1, the satellite connections will also be retained as additional primary connections. This results in additional costs that the Navajo Nation has to absorb. One of the primary purposes of the transition to other technology is to reduce the cost of Internet connectivity for the Navajo Nation. Having the satellite systems available as a backup only and not as a primary system at those locations where there is a lower cost alternative would reduce the costs to the Navajo Nation significantly. The contract terms should accommodate this scenario.

In order for the contract modifications to be in the best interests of the Navajo Nation and the 110 Navajo Chapters, the issues listed above need to be addressed with changes in the language of the proposed contract modifications, the proposed statements of work, and invoices. If you have any further questions, please contact me directly at x7089.

XC: Dana Bobroff, Deputy Assistant Attorney General, DOJ  
Lena Arviso, Contract Accounting Supervisor, OOC  
Janice Haskie, Contract Administration Supervisor, OOC  
Navajo Nation E-rate Committee