

**The Navajo Nation
Office of the Controller Request for Proposals**

**Annual Audit of the Navajo Nation Basic Financial Statements and
Audit in Accordance with the Single Audit Act
for the Fiscal Year Ended September 30, 2021**

Bid Number 21-10-2588LE

1.1 Scope of Work

The Office of the Controller is requesting proposals from qualified, independent public accounting auditing firms to perform the annual audit of the Navajo Nation basic financial statements and audit in accordance with the single audit act for the fiscal year ended September 30, 2021.

1.2 Qualifications

To be considered, the audit firm must be licensed to practice in the State of Arizona with expertise in performing audits of state and local governments in accordance with generally accepted government auditing standards (GAGAS) as presented in GAO-12-331G, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) as codified at 2 CFR 200.

1.3 Submission Deadline

Interested firms must submit seven (7) original copies of their response to the following address no later than 5:00 PM October 29, 2021. Please reference the project name on the mailing label to:

Navajo Nation Office of the Controller
Attn: Elizabeth Begay, Acting Controller
P.O. Box 3150
Window Rock, AZ 86515
Pub: Oct 20, 21, 22, 23, 2021



THE NAVAJO NATION

OFFICE OF THE CONTROLLER • P.O. Box 3150 • Window Rock, Arizona • 86515
TELEPHONE: 928.871.6308/6310 • FACSIMILE: 928.871.6026

PURPOSE

This is a solicitation and request for proposals for the annual audit of the Navajo Nation's (Nation) basic financial statements and audit in accordance with the Single Audit Act for the fiscal year ended September 30, 2021. The contract will have a base period of one (1) year with two (2) option years for three (3) total years. It is anticipated that the audit work would commence in December 2021.

The selected vendor will perform the required audit services in accordance with generally accepted government auditing standards (GAGAS) as presented in GAO-12-331G, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) as codified at 2 CFR 200.

BACKGROUND

The Nation is a tribe of Native American Indians existing pursuant to its inherent and retained sovereignty and recognized by the Congress of the United States under the Navajo Treaty of September 1, 1850, and the Navajo Treaty of June 1, 1868. With approximately 400,000 members and a land mass of over 27,000 square miles, the Nation is the largest Indian Tribe in the United States. As a sovereign nation, the Nation performs virtually all-traditional public functions for its members, including the administration of government and the protection of the public welfare. The Nation is located on the Navajo Indian Reservation (the Reservation) in northern Arizona, northwestern New Mexico and southeastern Utah. The majority of the Tribal members reside on the Reservation.

The government of the Nation is organized under the Navajo Tribal code (the Tribal Code) enacted by the Navajo Nation Council (Council) into three branches: Legislative, Executive and Judicial. Primary responsibility for establishing Tribal law and policy resides, as historically, with the Council. The Council is composed of 24 Council Delegates elected by popular vote from 110 local government units, or "Chapters" across the Reservation. Elections are conducted for the President and Vice-President of the Nation, Speaker of the Council and Council Delegates every four years in November, with the latest election

occurring in 2018. The Council is authorized by federal law and the Tribal Code to appropriate and expend Tribal Funds.

The Nation's general laws are established by the Council and set forth in the Tribal Code, which is a compilation of all Tribal Law. The Nation does not have a constitution and is not organized under the Indian Reorganization Act of 1934.

The Nation employs approximately 6,500 permanent employees. General ledger, accounts payable and payroll applications are processed on a JD Edwards/Peoplesoft Enterprise Resource System. The Nation has received an audit by an independent public accounting firm annually for over 60 years. There have been no service issues with the incumbent firm and we expect that firm will respond to this request.

The basic financial statements to be audited reflect the operations and financial position of the various funds which are accounted for by the Office of the Controller. The basic financial statements do not include various private and governmental agencies operating within reservation boundaries or programs conducted on the Navajo reservation which do not involve the use of Nation funds and over which the Council does not exercise fiscal or administrative control. The basic financial statements also do not include the assets, liabilities, equity or results of operations of the Nation component units/enterprises, some of which have had capital investments and contributions made by the Nation.

The government-wide financial statements are reported using the economic resources measurement focus, which reflects all long-term assets and liabilities, and the modified accrual budget basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are generally recorded when earned, except for taxes, natural resources, and right-of-way revenue, which are recognized when received, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Administrative overhead charges are included with direct expenses.

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual budget basis of accounting, which has been developed based upon U.S. generally accepted accounting principles, as modified by Council resolutions. Under this basis of accounting, governmental fund revenues are recorded when susceptible to accrual, that is, both measurable and available to be budgeted to pay liabilities of the current period, except for taxes, natural resources and right-of-way revenue, which are recognized when received. Interest income generated by assets of the Grant Fund is recorded in the General Fund. Other financing sources include the proceeds of long-term debt and obligations under capital leases. Notes receivable from related enterprises are recorded as assets of the funds that financed the notes.

The Nation prepares its budget on the budgetary basis of accounting, which differs from the modified accrual budget basis of accounting. The difference between the budgetary basis and the modified accrual budget basis of accounting is that encumbrances are recorded as the

equivalent of expenditures (budgetary basis) as opposed to a commitment of fund balance (modified accrual budget basis).

In applying the susceptible to accrual concept to Grant Fund revenue, the legal and contractual requirements of the individual programs are used as guidance. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met and the related expenditure has been incurred. Such expenditures must be expended for the specific purpose outlined in the grant before they are recognized.

The basic financial statements are classified into funds in accordance with specified activities and objectives and as defined by the Governmental Accounting Standards Board (GASB) Statements. The fund types and account groups used by the Nation in its financial reporting are summarized as follows:

	Amounts as of September 30, 2020 (in thousands)		
	Assets	Fund Equity	Annual Revenues
<i>Governmental Funds:</i>			
General Funds (7 funds)	\$ 1,080,690	\$ 1,049,759	\$ 273,965
Grant Fund	1,228,618	-	438,641
Permanent Fund	2,802,110	2,800,398	294,742
Other Governmental Funds (16 funds)	563,820	561,205	87,374
<i>Proprietary Funds:</i>			
Enterprise Funds – (13 Funds)	148,097	144,786	12,750
Internal Service Funds – (8 Funds)	137,132	115,880	63,267
<i>Fiduciary Funds:</i>			
Pension Trust Funds (3 Funds)	1,149,286	1,148,328	150,252
Private-Purpose Trust Funds (9 Funds)	295,177	294,808	47,465
Totals	\$ 7,404,930	\$ 6,115,164	\$ 1,368,456

The auditors are not expected to prepare the basic financial statements. The auditors are expected to make presentations throughout the year to the Budget and Finance Committee of the Navajo Nation Council.

General fund revenues are derived principally from royalties and leases related to coal, oil and gas, taxes, insurance proceeds, and land, buildings, business site, and right of way revenues. Grant fund revenues are derived principally from federal grant programs.

The basic financial statement audit and Single Audit have historically taken approximately four (4) months of on-site fieldwork in and around Window Rock, AZ and additional time and effort for review and reporting after the end of on-site fieldwork. The fiscal year 2020 audit resulted in two significant deficiencies in internal controls over financial reporting. The significant deficiencies were 1) recognition and collections of grants receivables and 2) information technology general controls.

The audits conducted in accordance with the Uniform Guidance consists of approximately 100 programs, of which 15 were considered type A programs in 2020 and the rest were considered type B programs. The Single Audits yielded 8, 11, and 15 major programs in fiscal years 2018, 2019, and 2020, respectively. Of the major programs audited, the following opinions were issued:

Opinion Type	2018	2019	2020
Adverse opinion	0	0	0
Qualified opinions	4	5	6
Unmodified opinions	6	6	9

Additionally, the Single Audits yielded 8, 7, and 7 findings in fiscal years 2018, 2019, and 2020, respectively. Of the fiscal year 2020 internal control findings reported, 7 were considered material weaknesses in internal controls.

Tribal Enterprises

The Nation has created various organizations in order to provide services to the Nation and to promote and develop certain key economic sectors on the Reservation. The following organizations function under the direction of independent Management Boards, which are comparable to boards of directors.

- | | |
|---------------------------------------|--|
| Navajo Tribal Utility Authority | Navajo Times |
| Diné College | Navajo Technical University |
| Navajo Agricultural Products Industry | Navajo Housing Authority |
| Navajo Nation Shopping Centers | Navajo Engineering Construction Authority |
| Navajo Arts and Crafts | Navajo Transitional Energy Company |
| Navajo Nation Hospitality Enterprise | Navajo Community Development Financial Institute |
| Navajo Nation Oil and Gas | Naat'aanii Development Corporation |
| Navajo Nation Gaming Enterprise | |
| Native Broadcast Enterprises | Dine Development Corporation |

INSTRUCTIONS

To be considered for the contract, the proposal must be prepared in accordance with the instructions herein. The proposal document should be prepared simply and economically, providing a straightforward description of the firm's capabilities according to the instructions.

The proposal document should not exceed 25 pages. This includes any cover letter and statement of qualifications. This does not include resumes or pricing documentation.

Bid Closing Date: To submit the proposal, seven (7) original copies of the proposal must be received by the Navajo Nation Office of the Controller at the following address by 5:00 P.M on October 29, 2021:

Office of the Controller
Post Office Box 3150
Window Rock, AZ 86515

Bid Opening Date:

The seal bids will be opened November 4, 2021
Office of the Controller
Window Rock, Arizona

Section II: Pricing will be submitted separately from Bid. Please label accordingly

"Audit Pricing – BID NO. 21-10-2588LE"

To be considered for contract award, the contractor must submit a proposal formatted in the following two sections with the following information:

Section I: Statement of Qualifications

The purpose of the "Statement of Qualifications" (SOQ) is to demonstrate the qualifications, competence, willingness and capacity of the firms seeking to undertake an independent audit of the Nation. As such, the substance of the SOQ will carry more weight than the form or manner of presentation. However, we require the SOQ to be divided into three parts, Administrative Requirements, Technical Qualifications, and Past Performance.

A. Administrative Requirements

1. Independence

The firm should provide an affirmative statement that it is independent of the

Nation as defined by GAGAS. The firm also should provide an affirmative statement that it is independent of all of the component units of the Nation as defined by those same standards. The firm should also list and describe the firm's (and proposed subcontractors', if applicable) professional relationship involving the Nation or any of its component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm (and subcontractor, if applicable) shall give the Nation written notice of any professional relationships entered into during the period of this agreement.

2. License to Practice in the State of Arizona

An affirmative statement should be included that the firm is properly licensed to practice in the State of Arizona.

B. Technical Qualifications

1. Firm Qualifications and Experience

The proposer should state the size of the firm, the size of the firm's state and local government (SLG) audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

The proposer should state the number of current SLG audit clients in excess of 5,000 annual audit staff hours.

The proposer should state the number of current SLG audit clients that report in accordance with GASB Statements.

The proposer should state the number of current SLG audit clients for which a Single Audit in accordance with Uniform Guidance are performed. The proposer should also state the number and type of programs audited for each of these clients.

The proposer should document the presence, involvement, and extent of its professional practice group, or lack thereof.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

If the proposer elects to employ a subcontractor to assist in the audit, the subcontractor must be identified in the proposal, subcontract staff must meet the minimum technical requirements, and subcontractor rates must be identified separately in the price proposal.

The firm is also required to submit a copy of the report on its most recent peer review, with a statement whether that peer review included a review of specific SLG engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations in the States where the lead engagement partners, managers, and seniors are resident.

2. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether the lead audit partner is licensed to practice as a certified public accountant in the State of Arizona (must hold a license issued by the Arizona Board of Accountancy). Please include a copy of the lead partner's Arizona certificate as an appendix to the response. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons after discussing the change with the Nation so long as the replacements have similar qualifications to the individuals being replaced.

Other audit personnel may be changed at the discretion of the proposing firm provided that replacements have substantially the same or better qualifications or experience.

C. Past Performance

1. Prior Engagements with the Nation and related entities

List separately all engagements within the last five years, ranked on the basis of total staff hours, by type of engagement (i.e., audit, management advisory services, and other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

2. Similar Engagement with Other SLG or Tribal Entities

List the most significant engagements (5 maximum) performed in the last three (3) years that are similar to the engagement described in this solicitation. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, total hours, and the name and telephone number of the principal client contact as a referral source.

Section II: Pricing

The proposal will include pricing data using the template provided at attachment 1. At a minimum the proposal will include the rate per hour for all members of the engagement team including partners/principals, management, staff, and technical specialists. Navajo Nation sales tax of 6% should be included for all labor costs that are incurred within the geographical boundaries of the Nation. The expected number of hours should be estimated and included, and the rate per hour multiplied by the number of estimated hours should be provided. All labor costs should be totaled for the base year and each option year.

Any travel costs expected to be incurred should be included. Reasonable travel costs will be reimbursed according to the United States General Services Administration per diem and mileage rates and 2 CFR 200.474, Travel Costs. Travel costs that exceed reasonable rates, such as first-class airfare or meals and lodging that far exceed per diem rates will not be reimbursed. All travel costs should be totaled for the base year and each option year.

Based on previous audits the Nation does not expect to reimburse vendors for any type of equipment such as laptop computers or mobile telephones, software, or office supplies.

VENDOR SELECTION

The Nation intends to award a single contract to a single selected vendor to serve as the primary responsible party for the audit. The vendor selected will be evaluated on the information presented in the proposal. The Nation intends to select the vendor that demonstrates adequate qualifications and offers the best overall value. A Selection Committee (Committee) will evaluate the proposal documents and the Committee will not consider any responses that do not comply with instructions or exceed the maximum page length. During the evaluation process, the Committee and the Nation reserves the right to

request additional information or clarification from firms or request firms to make oral presentations as part of the evaluation process. It is anticipated that the evaluation process will be completed by November 4, 2021. At that point, the Committee will notify the firm or firms that they believe are most qualified and arrange to complete the audit selection process.

The Committee believes that the information needed by qualified firms to respond to this request is herein. Therefore, it is not anticipated that a firm will have extensive questions regarding the detailed operations or financial condition of the Nation. However, if a firm needs clarification of this request, they should direct their questions to the Office of the Controller at (928) 871-6308.