



**The District of Columbia Government
Board of Ethics and Government Accountability**

Final Periodic Audit Report on Capitol Petroleum Group

January 2016

Lobbyist Activity Report

July 1, 2015 through December 31, 2015

December 2016

Office of Government Ethics

BACKGROUND

Capitol Petroleum Group (“Capitol”) is registered with the Director of Government Ethics (“Director”) pursuant to D.C. Official Code §§ 1-1162.27(a) and 1-1162.29(a) regarding lobbying activities completed on its behalf in the District. On its 2015 Lobbyist Registration Form (“LRF”), Capitol disclosed that it expected to lobby on subject matters regarding Bill 21-0046 (New Columbia Statehood Initiative and Omnibus Boards and Commissions Reform Congressional Review Emergency Amendment Act of 2015) and Bill 21-158, (Fiscal Year 2016 Budget Support Act of 2015). It retained the services of Manatt, Phelps & Phillips LLP (“Manatt”) in that regard. Further, Tina Ang and John Ray, both employees of Manatt, lobbied on behalf of Capitol during the 2015 calendar year. Capitol agreed to an hourly fee arrangement to be paid at the “completion of project” by Manatt.

On January 11, 2016, Capitol filed a January 2016 Lobbyist Activity Report (“LAR”) reflecting lobbying activities performed during the applicable reporting period. Capitol also disclosed that it met with Councilmember Brandon Todd on December 15, 2016, and listed “business” as the nature and purpose of this meeting.

On February 18, 2016, the Director Government Ethics issued an audit notification letter to Capitol and requested records to substantiate information disclosed on its January 2016 LAR. Capitol provided records, including copies of invoices and cancelled checks, to the Director on March 4, 2016, in response to the audit notification letter. Capitol reported that it paid Manatt \$1,014.00 to lobby on its behalf in its January 2016 LAR. Although this value corresponds with the total amount reported by Manatt for this period, the records provided do not support the compensation figure. For instance, according to Invoice No. 343546, Manatt billed \$1,184.00 to Capitol for lobbying activities with Councilmember Todd, which is more than the \$1,014.00 that was reported. This invoice is listed as unpaid and the remaining invoices do not identify any lobbying activities, although they identify lobbying expenses incurred. With respect to lobbying expenses, Capitol disclosed that it incurred \$291.00 in lobby expenses, which is supported by the documents submitted.

These preliminary findings were communicated to Capitol through the Office of Government Ethics (“OGE”) Statement of Findings (draft audit report), which was provided to Capitol on September 23, 2016. OGE recommended that Capitol amend its January 2016 LAR to reflect the actual compensation it paid Manatt or provide further clarification as to the discrepancy. On October 5, 2016, Capitol provided a response to OGE’s Statement of Findings. Capitol in its response explained that Manatt’s invoice totaled \$1,184.00 for both lobbying and non-lobbying fees. The accounting entry that involved lobbying work done by Manatt totaled \$1,014.00 and the other entry that involved non-lobbying work totaled \$170.00. The combined total equals \$1,184.00, which is the amount reflected in the invoice.

OBJECTIVE

The Office of Government Ethics' objective is to determine the extent to which Pepco is able to demonstrate compliance with the Ethics Act by providing documentation to support information disclosed on its January 2016 Lobbyist Activity Report filed with the Director of Government Ethics.

SCOPE

The audit procedures performed included examination of source documents and reports filed with the Director of Government Ethics in order to verify the following:

- i. Mathematical accuracy of the lobbyist activity report during the period audited;
- ii. Amount of income reported for lobbying activities;
- iii. Total reported receipts and expenditures and individual transactions;
- iv. Proper categorization of the receipts and expenditures of the filer/registrant- who may be a lobbyist, lobbying entity, or client; and
- v. Other review procedures as deemed necessary under the circumstances.

Audit Risk Factor Rating Scheme

The Risk Factor (RF) associated with each test is listed in the fourth column of the table and is noted as follows:

RF-H - Risk in this situation is high. It indicates a potential violation of the Ethics Act. It also decreases public confidence in the integrity of government. Please be advised that substantial penalties may be incurred and/or there may be negative media exposure.

RF-M - Risk in this situation is moderate. Under certain conditions, non-compliance may have negative impacts.

RF-L - Risk in this situation is low.

RF-O - There is no risk in this situation.

SUMMARY OF AUDIT FINDINGS

Finding No. 1: OGE review revealed that financial records presented by the Capitol Petroleum Group did not support the aggregate retainer fees paid to Manatt Phelps and Phillips LLP as disclosed in the January 2016 Lobbyist Activity Report filed by the Capitol Petroleum Group.

Status of Finding from Preceding Draft Audit Report:

Capitol explained that Manatt's invoice totaled \$1,184.00 for both lobbying activities and non-lobbying activities fees on January 25, 2016. The accounting entry that involved lobbying activities totaled \$1,014.00 and the other entry that involved non-lobbying activities totaled \$170.00, the reason \$1,184.00 is reflected in the invoice.

Criteria (Substantive Tests Performed)	Conditions	Effects (Material Findings)	Risk Factors	Correction Actions Recommended and/or Taken
Did the Lobbyist provide documentation for key elements?	Yes	None	No Risk (RF-O)	Not Applicable
Did the Lobbyist provide documentation for income earned towards lobbying?	Not applicable because Capitol Petroleum Group is the Client	None	No Risk (RF-O)	Not Applicable
Did the Lobbyist provide documentation for expenses made towards lobbying?	Yes	None	No Risk (RF-O)	Not Applicable
Did the Lobbyist accurately complete its Lobbyist Registration Form?	Yes	None	No Risk (RF-O)	Not Application
Did the Lobbyist file Activity reports online?	Yes	None	No Risk (RF-O)	Not Applicable

Did the Lobbyist timely file Activity Report?	Yes	None	No Risk (RF-O)	Not Applicable
Did the Lobbyist accurately complete its Lobbyist Activity Report?	No	Financial records presented by the Capitol Petroleum Group do not support the aggregate retainer fees paid to Manatt Phelps and Phillips LLP as disclosed in the January 2015 Lobbyist Activity Report filed by the Capitol Petroleum Group.	High Risk (RF-H)	Capitol provided an explanation to clarify the accounting entry made on Manatt's invoice. The entry covered both lobbying activities and non-lobbying activities.
Did the Lobbyist timely register pursuant to D.C. Official Code § 1-1162.27(a)?	Yes	None	No Risk (RF-O)	Not Applicable
Did the Lobbyist timely pay its registration fee pursuant to D.C. Official Code § 1-1162.27?	Yes	None	No Risk (RF-O)	Not Applicable

AGENCY COMMENTS

OGE's review of Capitol's January 2016 LAR and the records presented suggests that Capitol's January 2016 LAR accurately represents the financial history of the lobbyist for the applicable reporting period. Capitol provided an explanation to clarify the discrepancy in the accounting entry submitted by Manatt. Thus, OGE determined that Capitol satisfactorily addressed the single deficiency noted in the review.

RECOMMENDATION

OGE, therefore, recommends that the Ethics Board issue this Audit report as the "Final Periodic Audit Report" for Capitol Petroleum Group. It has been determined that the January 2016 Lobbyist Activity Report filed by Capitol with the Director of the Office of Government Ethics is in compliance with the Ethics Act.

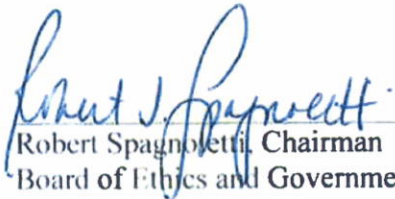


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Certified Inspector General Auditor

FINAL PERIODIC AUDIT REPORT APPROVED FOR RELEASE:



Robert Spagnoletti, Chairman
Board of Ethics and Government Accountability

December 8, 2016
Board of Ethics and Government Accountability

