



November 28, 2017

The Hon. Trayon White, Sr.  
Council of the District of Columbia  
The John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 400  
Washington, DC 20004

Dear Councilmember White:

This responds to your request that the Office of the District of Columbia Auditor (ODCA) conduct a review of Ward 8 contracts, particularly those for community engagement services, and those held by entities located at a particular address, to determine whether required procurement procedures have been followed. Our review included Internet searches, Lexis runs, and gathering contract information from the Office of Contracting and Procurement (OCP) website, the Department of General Services (DGS) website, and Events DC. We also obtained information regarding Certified Business Enterprises (CBE) from the Department of Small and Local Business Development (DSLBD).

We have completed our review. We did not find evidence of violation of procurement rules though, as indicated below, we found:

- Inconsistencies in rental information provided by businesses using the address in question.
- The appearance of deliberate avoidance of Council review of contracts.
- The appearance of use of the property not consistent with the zoning variance.

#### Businesses at 3215 Martin Luther King, Jr., Avenue

There are more than 30 companies that use the address 3215 Martin Luther King Jr. Avenue, SE, Washington, DC, 20032 (hereinafter referred to as "3215 MLK"). As described below in more detail, anomalies in the commercial lease agreements for these companies, as well as the sheer number of companies that appear to be using 3215 MLK as their address, suggest that some or all of these businesses may not have been operating out of that location during the relevant time periods. There also are some discrepancies when comparing the amount of rent various tenant companies are to pay according to their Commercial Lease Agreements with 3215 MLK and the amount of rent paid listed on their respective tax returns.

One of those companies, Capitol Services Management, Inc., or CSMI, uses 3215 MLK as well as the address 3200 Martin Luther King Jr. Avenue, SE, Washington, DC, 20032 (hereinafter referred to as "3200 MLK") on varying documents. For example, CSMI uses 3215 MLK on its Department of Consumer and Regulatory Affairs (DCRA) Basic Business License for the period 12/1/13 to 11/30/15, and on its 2011, 2012, and 2013 Internal Revenue Service (IRS) tax returns, but uses 3200 MLK on its DOES-UC30/ Employer's Quarterly Contribution and

Wage Report for the quarter ending March 31, 2015 and its 2013 Internal Revenue Service (IRS) Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns.



**3200 MLK**



**3215 MLK**

Phinis Jones is the owner/president of CSMI. On different documents, Phinis Jones is listed as the president, registered agent, officer, employee, and shareholder. Phinis Jones signed the November 1, 2010, Commercial Lease Agreement for the space CSMI leases at 3215 MLK as CSMI's president. Phinis Jones is listed as the registered agent on CSMI's DCRA Basic Business License for the period 12/1/13–11/30/15, as an officer on CSMI's 2013 IRS Compensation of Officer's Form, as an employee on the DOES-UC30 for the quarter ending March 31, 2015, and as a 100% shareholder on CSMI's 2013 IRS Tax Return, Schedule K-1.

According to the Office of Tax and Revenue (OTR) Property Detail Database, the owner of 3215 MLK is the Monica Tahlisha Ray Living Trust. Monica Ray has an unspecified connection to CSMI.<sup>1</sup>

Monica Ray signed a number of Commercial Lease Agreements as the owner/landlord of 3215 MLK, with a number of companies that have or had District government contracts including: B & B Floor Services<sup>2</sup>, Bocalje Services, CSMI, CHW Solutions, Designed Services, and Lorna Group. These Commercial Lease Agreements were submitted to DSLBD as part of the required CBE documentation for particular companies. Although some of the leases include a specific suite number, most do not. All of the leases contain the following clause: "Tenant shall use said premises actively and continuously for the full term hereof as office space."

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<sup>1</sup> Monica Ray is listed on CSMI tax returns submitted to DSLBD as having a deferred compensation plan and her name is on CSMI's DCRA-issued business license for the period 12/1/13 – 11/30/15, but she is not listed as an employee on other records submitted to DSLBD that identify CSMI employees.

<sup>2</sup> B & B Floor Services, LLC also uses the name B & B Flooring LLC.

Also, there are some anomalies in the Commercial Lease Agreements. For example:

- On the Commercial Lease Agreements between Monica Ray as the owner or landlord of 3215 MLK and B&B Floor Services and CHW Solutions, the company name “Capital Services Management, Inc.” is included under Monica Ray’s name.
- CSMI’s lease, which is signed by Phinis Jones as the CSMI president and the tenant using the address 3200 MLK, covers the five-year period from 11/1/12 to 10/31/17. It was executed on 11/1/10, two years before the start of the lease term. The lease provides that it is for “the total gross annual rental of \$48,000.00, payable in monthly installments of \$2,000.00.” That is apparently a mathematical error; \$2,000 per month is \$24,000 per year, not \$48,000.
- The CHW Solutions lease on file with DSLBD is not signed.
- The Designed Services lease is signed by Monica Ray for both Designed Services,<sup>3</sup> the tenant, and as the landlord for 3215 MLK.
- Lorna Group’s lease is signed by Phinis Jones of CSMI as the landlord for 3215 MLK.

There also are some discrepancies when comparing the amount of rent various tenant companies are to pay according to their Commercial Lease Agreements with 3215 MLK and the amount of rent paid listed on their respective tax returns. For example:

- CSMI’s rent, according to its Commercial Lease Agreement with 3215 MLK for the period 11/1/12 to 10/31/17, is listed as \$48,000 per year, but with correct math, is \$24,000 per year. CSMI lists the amount of rent paid on its 2013 tax return as \$157,751. CSMI’s 2013 tax return lists the company’s address as 3215 MLK.
- CHW Solutions’ rent, according to its Commercial Lease Agreement with 3215 MLK for the period 11/1/15 to 10/31/16, is \$6,000 per year. CHW Solutions lists the amount of rent paid on its 2012, 2013, and 2014 tax returns as \$40,800. CHW Solutions’ 2012, 2013, and 2014 tax returns list the company’s address as 3215 MLK. [Note: CHW Solutions’ tax returns for the time period covered by the Commercial Lease Agreement were not available to ODCA].
- B & B Floor Services’ rent, according to its Commercial Lease Agreement with 3215 MLK for the period 3/1/15 to 2/28/16, is \$4,800 per year. B&B lists the amount of rent paid on its 2012 tax return as \$37,581; on its 2013 tax return as \$46,613; and on its 2014 tax return as \$44,305. [Note: B & B’s tax returns for the period covered by the Commercial Lease Agreement for 3215 MLK were not available to ODCA and the company also lists its address on its 2012, 2013, and 2014 tax returns as 1006-C Florida Avenue NE]. Bocalje Services’ rent, according to its Commercial Lease Agreement with 3215 MLK for the period 7/1/15 to 6/30/16, is \$4,800 per year. Bocalje Services lists the amount of rent paid on its 2012 and 2013 tax returns as \$1,269, and \$0 on its 2014 tax return. The company lists its address as 3215 MLK on its 2012, 2013, and 2014 tax returns. [Note: Bocalje Services’ tax returns for the time period covered by the Commercial Lease Agreement were not available to ODCA].

Again, these apparent rent discrepancies also may indicate that a particular company was not actually operating out of 3215 MLK.

Research also indicates that another firm, 7L Group, Inc., also used the address 3215 MLK. Former D.C. Councilmember LaRuby May is listed as the member/manager and chief executive officer of 7L Group, Inc. Ms. May has a license to practice law in D.C. and is listed with the D.C. Bar as being part of The May Firm PLLC. The

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<sup>3</sup> Monica Ray is the CEO and Registered Agent for Designed Services. The Designed Services Balance Statement of 4/30/15 shows a short-term loan in the amount of \$7,500 to Phinis Jones.

May Firm PLLC's DCRA-issued business license (#400317001308) lists The May Firm PLLC at 3200 MLK. In addition, the Designed Services Balance sheet as of 4/30/15 lists "Equity - LaRuby Investment at 33 %, \$2,998.89." As noted above, Designed Services uses the address 3215 MLK and its lease was signed by Monica Ray as both tenant and landlord.

### Procurement

Four of the companies that use the address 3215 MLK—B & B Floor Services, LLC; Bocalje Services, Inc.; Capitol Services Management, Inc./CSMI; and Designed Services, Inc.—have or recently had contracts with an entity of the District government. A contract chart, which includes these contracts, is attached. We note two things that may be of interest:

- (1) There are a number of contracts valued at up to \$900,000 or \$950,000, and in one or two cases, a second contract with the same contract number is the exercise of a subsequent option year on the same contract. As you know, contracts over \$1 million and multi-year contracts require Council approval. Contracts for \$950,000, for example, narrowly miss requiring Council approval, as do contracts that are for one base year with four one-year renewal options. This raises a concern that the contract amounts were set just below \$1 million and not awarded as multi-year contracts so that they did not require Council review and the scrutiny a Council review might engender.

As detailed on the attached chart, Bocalje Services, Inc. held a \$950,000 contract from 4/1/13 to 3/31/14, and the option for a subsequent year was exercised so that it also had another \$950,000 contract for 4/1/14 to 3/31/15 (Contract # CW22134). Bocalje Services, Inc.'s other contracts included two \$950,000 contracts (DCSS-2013-D-934-002S for 4/1/13 to 3/31/14 & CW29622 for 6/30/14 to 6/29/15) and one \$900,000 contract (CW29370 for 7/2/14–7/1/15).

CSMI held one \$950,000 contract from 3/22/16 to 2/27/17 (CW42336) and one \$900,000 contract from 3/13/14 to 3/12/15 (CW27397). Designed Services, Inc. held one \$950,000 contract from 11/14/16 to 11/13/17 (CW47354).

Lorna Group, a company located at 3200 Martin Luther King Jr. Avenue, SE, Washington, DC, (which may be connected to CSMI and its owner, Phinis Jones<sup>4</sup>) has had three \$950,000 contracts. The first is a base contract (CW22870 for \$950,000) for the period 11/14/13 to 11/13/14. That contract had four one-year option periods, the first of which was executed and covered the period 11/14/14 to 1/14/15 (also CW22870 for \$950,000). Another contract (CW26493 for \$100,000) covered the period 1/15/14 to 1/14/15), and a final contract (CW42351) for \$950,000 covered the period 3/23/16 to 3/22/17.

Three of the Lorna Group contracts (CW22870, a District-wide contract for the period 11/14/13 to 11/13/14, and for the option period 11/14/14 to 1/14/15, and CW42351, a contract with OCP for the period 3/23/16 to 3/22/17), the Designed Services contract (CW47354, a District-wide contract for the period 11/14/16 to 11/13/17), and one of the CSMI contracts (CW42336, a District-wide contract for the period 3/22/16 to 2/27/17), were for Mission-Oriented Business Integrated Services (MOBIS). This means entities that appear to have connections with each other held \$950,000 contracts to provide from among a broad range of consulting services, District-wide, for successive and/or overlapping periods for most of the time between November 2013 and November 2017. It

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<sup>4</sup> Phinis Jones is the Registered Agent for Lorna Group on a DCRA form dated 5/3/11. Phinis Jones, President, Independent Holding Corporation, was the seller of the property 3521 Martin Luther King Jr. Avenue, SE, to Kristal Knight of Lorna Group for \$229,000 on 11/8/13. Kristal Knight signed the Commercial Lease Agreement for Lorna Group, Inc., for 3215 MLK for the period 1/1/16 to 12/31/16, for \$500 per month/\$6,000 per year. Phinis Jones of CSMI signed that Commercial Lease Agreement as the landlord of 3215 MLK.

would be possible to research how much was paid out on each of these contracts and for what specific services by researching individual purchase orders but given the limitations of the District's financial system that would be a very time-consuming undertaking and one that we did not attempt.

- 2) CSMI holds one \$100,000 per year contract with Events DC (SO-16-005-0001352). That contract was awarded on 8/11/16. The contract period, however, which is 4/23/16 to 9/20/16, begins before the award date. In addition, there is a Notice to Proceed dated 2/22/16, again before the award date, which states that it is effective, up to \$20,000, from the acceptance date by the contractor to the execution of the definitive contract, or 4/22/16, whichever is sooner. The contractor's signature date is 2/22/15 [rather than 2/22/16]. This Events DC contract had four one-year options available for \$100,000 each, two of which have been executed. Option Year 1 covered the period 10/1/16 to 9/30/17, and Option Year 2, which is still in effect, covers 10/1/17 to 9/30/18.

### Zoning and Use

Regarding the address used by these Ward 8 contractors, 3215 MLK, research indicates that on June 10, 1987, the Board of Zoning Adjustment (BZA) granted the property a variance from the R-2 (residential) use for which it initially was zoned, to allow office use (BZA decision on Application No. 14598). The BZA decision was based on representations in the application that the property would be used to house one office, for a construction company, with two employees and minimal client visits. More than 30 businesses currently list 3215 MLK as their address. Therefore, it appears that in the recent past, the property has been used in a manner inconsistent with the zoning variance previously granted by the BZA.

If you have any questions or wish to discuss this matter further, please do not hesitate to contact me.

Sincerely yours,



Kathleen Patterson  
District of Columbia Auditor

cc: Phil Mendelson, D.C. Council Chairman  
Enclosure