

December 26, 2023

Sent via E-Mail

Tara Ronimous
Missouri Department of Revenue
301 West High Street, Room 218
P.O. Box 87
Jefferson City, MO 65101
Tara.Ronimous@dor.mo.gov

Re: Formal Protest to RFPDOR240109 | Parkville License Office

Protesting Party: Bella Risk WS, LLC
P.O. Box 29122
Kansas City, MO 64152

Point of Contact: Chase Williams
816.355.4500

Attorney: Alexander C. Barrett
Stinson LLP
230 W. McCarty Street
Jefferson City, MO 65101
573.556.3601

Ms. Ronimous:

Bella Risk WS, LLC (“Bella”) protests the Department of Revenue’s (“DOR”) award of the contract for Solicitation RFPDOR240109 (the “RFP”) to 2015 Schotthill Woods LLC (“Schotthill”) pursuant to 1 CSR 40-1.050(12) and Special Delegation of Authority 537 (SDA537). As this firm represents Bella, please arrange any contact with it regarding this protest through us.

There were at least three issues with DOR’s award of the above-referenced contract that render the award invalid. First, DOR improperly calculated Schotthill’s inventory loss history and the related points. DOR purportedly verified that Schotthill had no missing inventory charges in the last two state audits at any of its license offices. The only office Schotthill itself has held long enough to have possibly been through two state inventory audits is the Mail-In Process License Office (“MIPLO”). That office is unique in many ways and should not have been considered when assessing inventory loss. Further, DOR’s publicly available data do not indicate that the MIPLO has even been subjected to state inventory audits. Because Schotthill has not been subject to two audits at any of its license offices, it should have received zero points in Section B-6B rather than 8 points. That would have resulted in Bella being awarded the contract.

Second, and alternatively, DOR should have considered all inventory losses at any license office operated by any entity under common ownership with Schotthill. DOR's newer RFPs make clear that DOR is now evaluating the relationship among license office operators and taking into consideration the extent to which they are under common ownership. That consideration is appropriate and should, logically, include consideration of inventory losses experienced by entities under common ownership with the named vendor. At a minimum, Schotthill is under common ownership with Koester and Koester LLC. According to DOR's data, Koester and Koester LLC had more than \$175 in inventory losses, which would likewise result in Schotthill receiving zero points in Section B-6B.

Finally, DOR incorrectly calculated the transaction processing history experience of Bella's proposed CLOM, Kristin Barton. DOR purportedly verified that Ms. Barton had processed 3,881 DL transactions in the last 10 years and awarded Bella 10 points in Section B-6D. That number is wildly inaccurate. According to DOR's own publicly available data, Ms. Barton has processed well over 20,000 DL transactions. Bella should have received an additional 5 points in Section B-6D.

For all these reasons, the award of the contract to Schotthill was erroneous and the contract should have been awarded to Bella. Bella requests that DOR rescind the award to Schotthill and award the contract to Bella. In the alternative, Bella requests that DOR cancel the award and re-bid.

DOR Erroneously Scored Schotthill's Inventory Experience

Section B-6B of Exhibit A to the RFP offers up to 8 points based on the amount of inventory a vendor has lost. The instructions say DOR will "award points based on the Vendor's License Office(s) assessed charges for missing inventory in the aggregate, at any License Office based on the two (2) most recent state agency-conducted inventory audits." The phrase "Vendor's License Office(s)" is not defined and no other information is provided.

Schotthill received 8 evaluation points based on DOR's determination that Schotthill had been assessed no inventory charges in the last two state agency inventory audits. See Evaluation Summary 3. It is unclear how DOR made this determination, as the evaluation report does not identify which license offices it looked at, when they were audited, or how much inventory was documented as having been lost. It is impossible for Bella, or anyone else, to verify DOR's calculations without this information.

Nonetheless, DOR incorrectly scored this section of Schotthill's proposal. Per the terms of the RFP, a vendor was to receive zero points in Section B-6B if it "does not have a license office with two (2) completed state agency conducted audits." RFP at 50. That is the score Schotthill should have received. Schotthill has been awarded contracts to operate the following, standard license offices: Mexico, Columbia South, Bowling Green, and O'Fallon. All of these offices have been awarded to Schotthill since May 2023. Because DOR conducts inventory audits

approximately every six months, none of those offices could have completed two inventory audits. Indeed, DOR's publicly available data do not reflect any audits conducted on those offices since Schotthill has operated them.¹

Schotthill also operates the MIPLO under a contract awarded in December 2021. As DOR is aware, the MIPLO is a unique, one-off license office that processes only mail-in transactions. It is fundamentally different than any other license office. It does not deal with customers in-person. It processes far fewer transactions than essentially any other office.² Put simply, it maintains significantly less inventory and there is far less opportunity, given the lack of foot traffic, for inventory to go missing. As such, the MIPLO should not be considered for purposes of determining point allocations under Section B-6B – regardless of whether DOR conducts inventory audits at the MIPLO. And, it does not appear that DOR has even conducted inventory audits on the MIPLO. DOR's publicly available data do not reflect that DOR has audited MIPLO's inventory during the last two fiscal years.³

In sum, Schotthill does not appear to have had two inventory audits conducted at any of its license offices. To the extent DOR based its point award to Schotthill in Section B-6B on audits of the MIPLO (despite the lack of any publicly reported audits of that facility), DOR should not have factored the MIPLO into its consideration of Section B-6B due to the significant differences between the MIPLO and any other license office. For these reasons, Schotthill should have received zero (rather than 8) points in Section B-6B. Because Schotthill outscored Bella by 7.99 points, this would have made Bella the winning bidder.

DOR Should Have Considered Koester & Koester's Inventory Loss

In the alternative, if DOR did consider (and is going to stand by considering) Schotthill's inventory experience at the MIPLO, then DOR should also consider the inventory loss of any other license office operators under common ownership with Schotthill. After all, the purpose of DOR considering inventory loss is to ensure that it is working with vendors who are able to maintain and keep track of the State's property. It makes no sense—and is in fact arbitrary and capricious—for DOR to consider only inventory loss experienced by the named vendor, rather than considering inventory loss at all license offices operated by the same owners. The same people are responsible for managing the State's property, regardless of the name of the entity through which they choose to bid.

DOR has recently recognized that it is appropriate to consider the relationship between entities and to hold all entities in the same group accountable. In its recent RFPs, DOR has added the concept of "common ownership." See Olivette 12/05/2023 RFP at 93. The new RFPs define

¹ [FY22-FY23-Inventory-Charges.xlsx \(live.com\)](#). Schotthill appears nowhere in this spreadsheet.

² See [FY 2023 Estimated Contractor Transaction Counts and Processing Fees \(mo.gov\)](#).

³ [FY22-FY23-Inventory-Charges.xlsx \(live.com\)](#).

“common ownership” as “[a]ny percentage of ownership of entities by the same person, persons, entity, or entities, or by separate entities, including sole proprietorships, in which any owner, shareholder, partner, member, director, or officer owns any percentage interest in the different entities.” *Id.* The new RFPs prohibit vendors under common ownership from designating the same proposed CLOM at different license offices. *Id.* at 10. They also prohibit entities under common ownership from submitting multiple proposals in response to the same RFP. *Id.* at 53.

Thus, DOR recognizes that it is appropriate to prevent owners from gaming the bidding system by organizing different legal entities, and that it should hold owners accountable for any contract obtained or proposal submitted by any entity in which they have common ownership. For the reasons discussed above, that is particularly appropriate with respect to inventory loss.

Relevant here, Schotthill is under common ownership with at least Koester and Koester, LLC, which also operates license offices for DOR. As DOR’s records will reflect, Schotthill has the following owners: David Koester Jr. (60%), Natalie Koester (20%), and Dede Nichols (20%). DOR’s records should likewise reflect that David Koester Jr. is an owner of Koester and Koester, LLC. David Koester Jr. is a common owner of both entities.

As such, DOR should consider inventory losses experienced by Koester and Koester LLC when scoring Section B-6B. DOR’s records reflect that Koester and Koester had \$127.25 in lost inventory at the Branson office on May 16, 2023; it had \$34.50 in lost inventory at the Columbia office on May 31, 2023; and it had \$77.00 in lost inventory at the Jefferson City office on July 10, 2023.⁴ In total, that is \$238.75 in lost inventory, which would result in Schotthill being awarded zero points in Section B-6B, had DOR considered inventory loss by entities under common ownership.

DOR Erroneously Scored Bella’s Transaction Processing History

Section B-6D awarded points to vendors based on the transaction processing experience of their proposed CLOM. As relevant here, a vendor could earn up to 15 points based on the number of DL transactions its proposed CLOM had processed in the last 10 years. Evaluation Summary at 3. More than 5,000 DL transactions would result in 15 points, while 2,500-4,999 transactions would result in 10 points. *Id.* DOR assigned Bella 10 points based on its apparent “verification” that Ms. Barton had processed 3,881 transactions in the last 10 years. *Id.*

That is wrong, based on DOR’s own data. Ms. Barton has worked in license offices for a long time. As a result, she has processed a lot of transactions. She has also been assigned numerous User IDs by DOR. Relevant here, Ms. Barton has been assigned the following User IDs: DF2056 (Lee’s Summit), DF7727 (Raytown), DF7950 (also Raytown), DF8341 (Parkville), DG2143 (Gladstone), and DG3565 (Liberty).

⁴ [FY22-FY23-Inventory-Charges.xlsx \(live.com\)](#).

According to DOR's own data,⁵ Ms. Barton has processed the following number of transactions under those User IDs:

FY13-FY22 Transactions		
User ID	Total MV Transactions	Total DL Transactions
DF2056	27,663	20,214
DF7727	4,442	558
DF7950	536	-
DF8341	158	-
DG2143	8,534	552
DG3565	634	158
Totals:	41,937	21,462

FY23 Transactions		
User ID	Total MV Transactions	Total DL Transactions
DG2143	6,991	599

Thus, Ms. Barton has processed more than 22,000 DL transactions. DOR under-credited her DL transaction processing experience by more than 18,000 transactions.⁶ This is patently incorrect. Had DOR correctly credited Ms. Barton for all of her DL transactions, Bella would have received 15 points rather than 10 points in Section B-6D. This, in combination with the scoring changes necessitated by DOR's improper calculation of Schotthill's inventory loss, would comfortably make Bella the winning bidder. DOR should rescind the award and re-award the contract to Bella.

At a minimum, DOR should rescind the award, fix its clearly broken system for verifying transaction processing, and re-bid. We are unclear how DOR actually calculates or "verifies" transaction processing history. But given the massive discrepancies between the numbers DOR "verified" and Ms. Barton's actual transaction history, it is clear that something is seriously broken in the way DOR scores this aspect of license office bids. We are aware of many other vendors whose transaction processing numbers have been miscalculated by DOR in recent contract awards. It appears to be a widespread, institutional problem that calls the validity of the entire process into question.

The system is also arbitrary and capricious. As noted above, Ms. Barton has processed more than 20,000 DL transactions. Regardless of precisely when she performed these transactions, DOR's records reflect that she has processed at least four times the number of

⁵ [FY13-FY22-Transaction-Information.xlsx \(live.com\)](#).

⁶ She also has processed 48,928 MV transactions. DOR purportedly "verified" that she had processed only 18,407 transactions. This inconsistency is extremely troubling.

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transactions necessary to qualify for the highest score. There can be no serious question that she knows how to process DL transactions and can supervise others to do so.

* * *

For all of these reasons, the contract award to Schotthill was erroneous. DOR should rescind that award and re-award the contract to Bella. At a minimum, DOR should rescind the award and re-bid the contract after fixing its broken transaction processing verification system.

Sincerely,

Stinson LLP



Alexander Barrett