

School land office secretary tenders resignation amid conflict-of-interest allegations

Andrea Eger , Barbara Hoberock Jul 1, 2022
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OKLAHOMA CITY — Gov. Kevin Stitt's appointee who has led Oklahoma's school land office for two years tendered his resignation Thursday amid allegations of self-dealing and misappropriation of taxpayer funds.

At the start of Thursday's meeting of the Commissioners of the Land Office, Secretary Elliot Chambers announced that he had tendered his resignation to Stitt effective Aug. 3.

Neither he nor Stitt, who thanked Chambers for his service to the agency, addressed the controversy.

The governor declined to take questions after the meeting.

A day earlier, it was revealed that both Stitt and State Superintendent Joy Hofmeister, who both serve as land office commissioners, had requested new official responses to the allegations against Chambers. People are also reading...

Hofmeister said a second whistleblower has come forward. In light of that, she had issued requests for a law enforcement investigation and a call for Chambers' resignation from the low-profile state agency that oversees \$2.7 billion in real estate and other investments to support public education.

Also, State Auditor and Inspector Cindy Byrd's office said Wednesday that it had just received a formal request from the governor for a financial and operational audit of the Commissioners of the Land Office.

In early June, a Tulsa World investigation revealed that an internal auditor at CLO had been fired less than a week after looking into conflict-of-interest concerns raised by another top employee about their boss, Chambers.

Primary concerns reported internally at CLO in early December concerned a company called Victorium Capital, which was being paid by the CLO as a consultant on investments. Later in December, Victorium's role at CLO was expanded to also manage those direct investments with state funds.

The CLO's now former internal auditor reported being told that CLO Secretary Chambers had a personal investment relationship with Victorium that had never been disclosed to the five commissioners of the Land Office.

The CLO board is chaired by Stitt; Hofmeister, Byrd, Lt. Gov. Matt Pinnell and Agriculture Secretary Blayne Arthur are also members.

Arthur was absent from Thursday's meeting.

On the agenda were annual contract renewals for investment managers, including Victorium, which prompted an in-depth conversation.

Pinnell made a motion to approve the dozen or so contracts, with the renewal for Victorium being only temporary for 60 days so that CLO could issue a request for proposals to replace the company with a different investment manager.

Hofmeister said she could not support even a temporary renewal for Victorium. She asked pointed questions about why staff members had canceled previously scheduled board meetings in May and on June 10, forcing the board to decide such an important matter on the final day of the fiscal year.

“It’s a predicament,” she said. “Here we are in the last hour.”

Byrd asked whether the current investment management contracts include contingencies that would keep them valid if the board did not vote to renew them before Day 1 of a new fiscal year.

General counsel Bennett Abbott said he did not know the answer.

Stitt asked if not renewing Victorium’s contract would simply “liquidate” the investments it was managing and return them automatically to the state’s portfolio.

Byrd commented: “I have concerns there could be adverse effects.”

Ultimately the vote on Pinnell’s motion carried, 3-1, with Hofmeister casting the lone “no” vote.

Hofmeister, who won the Democratic primary for governor on Tuesday, is challenging Stitt in his reelection bid. The governor won his Republican primary on Tuesday, and the pair will appear on the November general election ballot.

Internal auditor at school land office ousted amid questions about Stitt appointee

Andrea Eger , Barbara Hoberock Jun 9, 2022

OKLAHOMA CITY — An internal auditor at the state agency that oversees \$2.7 billion in real estate and other investments to support public education was fired less than a week after looking into conflict of interest concerns raised by another top employee about their boss, a gubernatorial appointee.

Erin Morgan, who worked at the Commissioners of the Land Office for eight years, formally challenged her Jan. 11 termination by CLO Secretary Elliot Chambers as unlawful or unreasonable.

While the Tulsa World was denied access to Morgan's formal complaint to the state, the World was able to use the Oklahoma Open Records Act to obtain another record from the CLO showing that the matter was ultimately resolved when Chambers and Morgan signed off on a settlement agreement labeled "confidential," forbidding either party from disparaging the other.

But after her termination and before the settlement, Morgan took the conflict of interest concerns she had documented from CLO's director of commercial real estate holdings directly to two statewide elected officials who are members of the commission that oversees the CLO: State Superintendent Joy Hofmeister and State Auditor and Inspector Cindy Byrd.

The primary concern reported to Morgan in early December concerned a company called Victorium Capital, which was being paid by the CLO as a consultant on investments.

Morgan reported being told that CLO Secretary Chambers had an existing, personal investment relationship with Victorium, and that relationship had never been disclosed to the five commissioners of the Land Office.

The CLO board is chaired by Gov. Kevin Stitt, and Lt. Gov. Matt Pinnell and Agriculture Secretary Blayne Arthur also serve as members.

In February, Morgan hand-delivered to Hofmeister and Byrd the documents and notes that the World obtained through a public records request to Hofmeister's office.

In her notes, Morgan wrote that in light of the conflict of interest concerns reported to her, it struck her as "odd" at a Dec. 16 meeting of the commissioners when the state auditor voted no on two items: a new investment plan to allow for direct investments or "non-marketable securities" and an expansion of Victorium's role at CLO to also manage those direct investments.

A director in the agency had gone to Morgan and questioned that expanded role because it would mean "essentially that Victorium Capital would be monitoring itself."

Morgan was fired less than a week after she initially approached Chambers in early January about the concerns. She claims that he acknowledged to her that he pays to participate in Victorium Capital's investment club and that it makes investments on his behalf.

"I asked him if he saw it as a conflict of interest that he conducted business with Victorium and still conducts business with Victorium outside of the CLO. He stated no," Morgan wrote in the notes she shared with Hofmeister. "He was extremely angry and stated that he was alarmed that I was taking this path of questions. ... He stated that he was offended and that what I was saying was that he was doing the nefarious activities that he was a crook and a bad guy."

Morgan wrote that she told Chambers it was her job "to assess risks to the agency." When asked if she was "conducting an inquiry," she said she told Chambers she was just gathering information ahead of an upcoming CLO Audit Committee meeting in case it was "something that I needed to bring to their attention."

Public records show that the CLO attorney notified Hofmeister's office on Jan. 11 that Morgan's employment had been terminated and that therefore the CLO Internal Audit Committee meeting scheduled for the next day, Jan. 12, had to be canceled.

Chambers and Morgan both declined to be interviewed, with Morgan's attorney citing the confidentiality agreement.

However, the Tulsa World was able to obtain as a public record the March 15 settlement agreement signed by Chambers and Morgan. In exchange for releasing the state from any wrongdoing, Morgan was reinstated temporarily and on administrative leave so that she could become fully vested in her public employee retirement account, agreeing to resign on May 1.

She was to receive back pay plus a lump sum payment of about \$25,000 from the state, and, additionally, the state was to pay her attorney a lump sum of \$15,000.

Hofmeister said the commission overseeing the CLO was never informed about the deal and that she is advocating for changes to ensure that the commission has access to the work of the agency's internal watchdog employees moving forward.

"The concerns raised by the internal auditor are alarming and need to be investigated thoroughly," Hofmeister told the World on Thursday morning. "As for the termination and the circumstances surrounding it, we need to take concrete steps to ensure that matters involving the work and employment of an internal auditor are reported to the Commission."

Chambers also declined to answer questions about his personal ties and investments with companies doing business with the CLO. But a spokesman said Chambers has disclosed any such relationships to the agency's in-house attorney.

"The Secretary acted with advice of counsel and the commission in all matters relating to direct investments and will continue to do so when appropriate," said David White, director of communications and legislative affairs at CLO.

Vote questioned

That Dec. 16 commission vote to approve a new investment plan recommended by Secretary Chambers is the subject of ongoing controversy.

With only three of five members present, the vote was 2-1, with Stitt and Pinnell voting for it and Byrd voting against it.

When the item was declared to have been approved, Byrd, the state auditor, objected immediately, stating that she “interpreted the absence of two other commissioners as two automatic nay votes,” official minutes from the meeting state.

After the governor’s attorney researched the issue and consulted with the CLO’s staff attorney, it was declared again that the new investment plan passed by a majority of the members present.

A subsequent vote was also 2-1 to expand Victorum’s role at the CLO, another action recommended by Chambers.

Consulted by the World about historical voting practices at CLO, former Oklahoma Attorney General Drew Edmondson, a Democrat, said a 2-1 vote would mean a CLO agenda item failed and any related contract would be void and subject to a taxpayer lawsuit if any money was paid on it.

Oklahoma’s Republican former State Auditor Gary Jones, who served as a CLO Commission member, agreed with Edmondson’s assessment — that any 2-1 votes should have been declared to have failed. He said a majority of members must vote in the affirmative, not a majority of those present.

“You have five members for a reason,” Jones said.

The commission didn’t meet again until February, and at that time, Hofmeister objected to the adoption of official minutes from the Dec. 16 meeting “as an accurate and lawful account” because she disagreed that a motion carried with two votes in the affirmative and one vote against.

According to the official account of that February meeting, Hofmeister asked that the CLO consider requesting an attorney general’s opinion to clarify the matter in the future.

But she was informed in late March by the CLO’s attorney that Chambers “has no plans” to seek such an opinion.

On May 27, Hofmeister submitted her own formal request for a legal opinion on the matter to Attorney General John O’Connor, also an appointee of Gov. Stitt.
Controversial start

According to data requested from the Oklahoma Office of Management and Enterprise Services, the CLO has seen the turnover of 56% of its 57 full-time employees since Chambers was appointed CLO secretary by Stitt in July 2020.

Morgan is among 32 employees who have left during that time, including terminations and retirements. That figure also includes four directors of accounting, who resigned, as well as other higher-ups.

Chambers’ appointment by Stitt was controversial because he previously had been an executive at two separate companies, White Star Petroleum Holdings LLC and Chesapeake Energy, which were found to have failed to pay or underpaid the Commissioners of the Land Office. He also founded The Aurelian

Cos., a multi-industry group of investment companies, which business records with the Oklahoma Secretary of State's Office indicate is still active.

Byrd and Hofmeister "were conspicuous by their absence" on the day Chambers' appointment was approved by a 3-0 vote of the other commissioners, according to news coverage of the meeting by The Oklahoman newspaper.

What is the CLO?

Formerly known as the School Land Office, the office now known as the Commissioners of the Land Office provides monthly income to help support public schools and 13 colleges and universities in Oklahoma. In fiscal year 2021, the CLO distributed a total of \$116 million from its revenues to K-12 schools and higher education.

By approving the Enabling Act in 1906, Congress granted Oklahoma Territory the ability to become a state. The Commissioners of the Land Office is part of that act, making it an agency that predates statehood.

Congress placed \$5 million into what would become the permanent trust controlled by the Land Office. The Enabling Act, the Oklahoma Constitution and statutes passed since Oklahoma statehood define the role of the agency and its beneficiaries.

Of the 3 million acres of land granted at statehood, the Commissioners of the Land Office still own and manage 726,000 surface acres and 1.1 million mineral acres.