COMMISSIONERS OF THE LAND OFFICE
INTERNAL AUDIT COMMITTEE SPECIAL MEETING MINUTES
TUESDAY, DECEMBER 16, 2025, AT 2:00 P.M.

29TH FLOOR CONFERENCE ROOM
STRATA TOWER, 29TH FLOOR
OKLAHOMA CITY, OKLAHOMA

The agenda was posted online on the Commissioners of the Land Office website and at the Commissioners of the Land Office physical location on December 12, 2025, before 12:00 p.m.

PRESENT

Jennifer Davenport, Governor's appointee
Teena Gunter, Secretary of Board of Agriculture's appointee
Katherine Black, Superintendent of Public Instruction's appointee

ABSENT / EXCUSED

Lisa Hodges, Auditor and Inspector's appointee
Shane Saunders, Lieutenant Governor's appointee

LAND OFFICE STAFF PRESENT

Dan Whitmarsh, Secretary
John Fischer, Assistant Secretary
Andrea Bair, Assistant General Counsel
Mary Ann Vassar, Chief Internal Auditor
Tristan Newbold, Director, Legislative Affairs and Communications
Matt Clarkson, Assistant Director, Financial Services
Phillip Chandler, Accountant, Financial Services
Sabrina Cabral, Recording Secretary/Executive Assistant

VISITORS

N/A

Chief Internal Auditor Mary Ann Vassar called the meeting to order at 2:01 PM. She then informed the Committee that there had been a new member appointed by the Lt. Governor. The new appointee's name is Shane Saunders. He was unable to attend the meeting but will be at the following meetings. Auditor Vassar then requested roll be called, confirmed the presence of a quorum and ensured proper posting.

1. Request Approval of Minutes for Special Meeting Held September 23, 2025

Chief Auditor Vassar asked the Committee to approve the minutes for the special meeting of the Commissioners of the Land Office Internal Audit Committee held on September 23, 2025. She stated the proposed minutes were included in their packets.

Committee Member Gunter commented on the misspelling of her name. Apologies were made and the change was noted.

Motion by Committee Member Gunter to approve the minutes of the special meeting held September 23, 2025; motion seconded by Committee Member Davenport.

Gov. Appointee, Davenport:	Aye
Sec. of Board of Ag Appointee, Gunter:	Aye
Supt. of Pub Instr. Appointee, Black:	Aye

Motion carried.

2. Discussion and Possible Action on Commercial Real Estate Valuation Audit Report

Chief Auditor Vassar let the Committee know that this item would be discussion only. She continued with a summary of the valuation report. The fieldwork was done and she was drafting the report for the Committee's analysis. The remaining steps after that would be to discuss the findings with management and finalize the report with management's response. There is not substantial work hours left on the project and the timeline for the report will be in early January.

Assistant Secretary Fischer asked Chief Auditor Vassar for a high-level summary of what some of the observations were.

Auditor Vassar said that some of main items were as follows. The valuation process is spread over multiple departments. There is a cross functional appraisal group that is performing appraisals for Commercial Real Estate and are a part of the Real Estate Management group. She suggested more definitions over the roles and responsibilities in the process. This audit came about due to lessees asking how the properties are valued when their rents increase on their CLO leased properties. Auditor Vassar looked at statutes to ensure the CLO is following what statute says to value and appraise the properties. She looked at a little over 100 appraisals and lease files and didn't see any significant findings. This is more about the process improvements. The other element is appraisal process. She contacted several other state offices comparable to the CLO and found that we are very similar in processes.

Overall, there are only a few things that could be enhanced with in the procedures.

Discussion only, no vote was taken.

3. Discussion of Global Internal Audit Standards' Compliance Status (informational only)

Auditor Vassar gave an update of the status. She has crafted and created the risk assessment pieces of the risk evaluation process and project level requirements which would include engagement level standards. She is also in the process of creating a dashboard that has other elements and items that she will share at a later date. These items vary from things that are governance level items that will need to be approved by the Commission to engagement level requirements which are done as part of conducting an audit, and largely complete. She is following an internal checklist of things to complete engagement level items. There is one primary element in her remaining suite of work and that is the quality assurance improvement program. This is quality control which is defined by processes and procedures that ensure providing quality work. Every five years for compliance purposes, an Internal Audit function has to deliver be subject to an external quality assurance review. To pass external review, the audit function needs to develop and implement an internal Quality Assurance Program, which has new requirements since the auditing standards have changed.

Auditor Vassar said that she is at around 55% on standards compliance. Next, she will be working on the next piece, which is more at the department level. She is going to create a folio to map everything as a guidebook through the process to ensure she implements.

Committee Chair Davenport asked when Auditor Vassar might be done with the project.

Auditor Vassar said that after she has developed it, she won't be done with the full administration or performance of internal quality insurance review until she has produced a year's worth of audits; the quality assurance program will be fully implemented when audits produced have been subject to the quality review. Based on the 'lookback' period external review must look back at roughly one year of audit work, this would be roughly around four audits. The quality assurance program will be developed in late January but won't be implemented until possibly late 2026 or early 2027.

Informational only, no vote was taken.

4. Discussion of the 2025 Internal Audit Risk Assessment/Refresh (informational only)

Auditor Vassar updated the Committee on the annual Risk Assessment this year, which is a foundational piece of the proposed 2026 Internal Audit Plan. This year 's risk assessment refreshed last year's deep dive into the agency key processes and control and risk analysis. To conduct it she interviewed management in key functional areas and operational areas to determine if they had any key changes in processes, controls, personnel, or any risk concerns. She updated assessment to reflect the new information and then ranked the top five risk assessment. She put these top five into a survey, which the Committee completed. These top risks were also discussed with

management. The results of the Auditor's ranking, the Committee survey, and the results of management discussion were in the materials provided in the packet. The Auditor's top two risk processes were application data integrity and the Ag Real Estate Leasing and Easement. The Management's top two votes were the same. She stated there was a carryover project, Royalty Compliance, from the amended plan for last year due to her leave. The overall results of the risk ranking and survey lead to the carryover Royalty Compliance audit, application data audit and a tie for the third project between Apportionment and Distribution to Trust/Schools and AG Real Estate Leasing and Easement.

Auditor Vassar then reviewed the breakdown of her available hours for the year, which has three audit projects – two of which are the carryover Royalty Compliance and highest risk-ranked Application Data Integrity area. The remaining hours will be used to complete the governance and department level auditing standards changes, and to develop the internal quality assurance program.

Committee Chair Davenport asked the Auditor's and management's opinion on the value added for the third 2026 audit project, since there is a difference in the survey. Ms. Davenport wanted Auditor Vassar's thoughts about the return on investment and benefit in each project.

Chief Auditor Vassar stated apportionment has much more money flowing through and it is the core critical process for the CLO. She felt an error in apportionment could have high impact. Apportionment is also standardized, repetitive, and done often, which can lower risk probability. A downside is it's fairly manual, but staff continuity mitigates that risk.

Ag real estate is somewhat like commercial real estate, since it is highly visible, particularly to the people in the panhandle. Approximately 20% of ag land is appraised and auctioned every year, which makes this process more visible. The panhandle ag land is not located anywhere near the CLO main office location, and there are field reps in each district. It can be a bit challenging to monitor a large amount of land with the staff resources we have. Easement was also mentioned, and records of easement can be difficult with the land rights, any housing maintained, and how lease rentals and lease terms are negotiated. She believes the choice would depend on the group's preference for reviewing dollar risk in a financial process vs. some other risks to a very visible asset.

Committee member Davenport asked if either of these items have ever been looked at before. Auditor Vassar stated that she thought apportionment was looked at approximately seven or eight years ago.

Assistant Secretary Fischer stated when he started at the agency in 2020 the CLO Internal Audit position lapse started as well. He said that both CRE and REM were looked at in the past by Audit but wasn't sure how effectively. Management is torn because like Auditor Vassar, they view apportionment as key to everything the CLO does. It is the reason that the CLO exists. So, if the CLO is getting that wrong or if there's problems in that procedure, no other processes are nearly as significant. Also, there has been no

turnover in staffing in REM. REM has many different subjects such as leases, lease signing and lease assignment. CLO now uses digital leases, and processes are in flux. So, scoping a REM and lease audit could be difficult. It could focus on multiple areas, such as the auction process, easement, or how the land is taken care of by the CLO.

Secretary Whitmarsh added to the conversation that another focus area of REM is appraisals, and whether these properties are getting properly appraised. In the Panhandle, the appraisers and lessees live so close to each other they're neighbors, so there are independence risks.

Assistant Secretary Fischer noted that the appraised rates of the Ag leases may increase by less than -1% per year. Also, actual lease rates tend to keep up with inflation because they're offered at auction; some go down because there's only one bidder. But those leases that are competitively bid will sometimes go for multiples. So, the revenues are current even if the values haven't kept up. Mr. Fischer noted there's also Eastern Red Cedar mitigation to consider. Cutting down the trees makes the land better and healthier, but the hunters will pay more, leading to a financial priority risk.

Auditor Vassar noted that from a scope perspective the last Ag real estate audit focused on lease underwriting or lease evaluation and appraisal to set the opening auction value. She also noted that risk ranking has been done largely in terms of inherent risk. It has been so long since any audit that potential residual control risk is viewed as high on almost everything, because controls haven't been recently verified.

Assistant Secretary Fischer said management sees value in both potential projects. Auditor Vassar agreed and said all the top five ranked projects had value in her opinion.

Informational only, no vote was taken.

5. Consideration and Possible Action to Approve the 2026 Proposed Internal Audit Plan

Auditor Vassar stated that based on the discussion on item 4, she asked for a motion to approve proposing the 2026 Proposed Internal Audit plan to the Commission in January, with the added audit of Apportionment and Distribution to Trusts/Schools audit.

Motion by Committee Member Black to approve 2026 Proposed Internal Audit plan; motion seconded by Committee Member Davenport.

Gov. Appointee, Davenport:	Aye
Sec. of Board of Ag Appointee, Gunter:	Aye
Supt of Pub Instr. Appointee, Black:	Aye

Motion carried.

6. Consideration and Possible Action to Approve Dates for 2026 Commissioners of the Land Office Internal Audit Committee Special Meetings

Auditor Vassar reminded the Committee that scheduled meetings for 2026 proposed on the meeting agenda will be deemed as special meetings due to the date of this meeting to approve the dates is after the Secretary of State notification deadline. As discussed in last meeting the March meeting date was changed.

Motion by Committee Member Davenport to approve CLO Internal Audit Committee dates as presented for 2026; motion seconded by Committee Member Black.

Gov. Appointee, Davenport:	Aye
Sec. of Board of Ag Appointee, Gunter:	Aye
Supt of Pub Instr. Appointee, Black:	Aye

Motion carried.

7. New Business

No new business.

Motion by Committee Member Black to adjourn. Motion seconded by Committee Member Gunter.

Gov. Appointee, Davenport:	Aye
Sec. of Board of Ag Appointee, Gunter:	Aye
Supt of Pub Instr. Appointee, Black:	Aye

Motion carried.

Meeting adjourned at 2:30 p.m.