

Minutes: Senate State Affairs

Monday, February 03, 2025 10:00 AM

Roll Call

Present: Sen. Beal, Sen. Jensen (Kevin), Sen. Karr, Sen. Larson, Sen. Peterson (Sue),  
Sen. Pischke, Sen. Perry, and Sen. Mehlhaff

Excused: Sen. Deibert

**The meeting was called to order by Senator Mehlhaff**

**MOTION: TO APPROVE THE MINUTES OF WEDNESDAY, JANUARY 29<sup>TH</sup>**

Moved by: Beal

Second by: Perry

Action: Prevailed by voice vote

**SB 53 : make modifications to the implementation, review, and oversight of the internal control system of the state.**

Presented by: Jim Terwilliger, Commissioner Bureau of Finance and Management

**MOTION: TO TABLE SB 53**

Moved by: Perry

Second by: Beal

Action: Prevailed by Majority Members Elect (8-0-1-0)

Voting Yes: Beal, Jensen (Kevin), Karr, Larson, Peterson (Sue), Pischke, Perry, and Mehlhaff

Excused: Deibert

**SB 61 : modify the authority of the Board of Internal Controls.**

Presented by: Marty Jackley, Attorney General, State of South Dakota

Proponents: Jim Terwilliger, Commissioner Bureau of Finance and Management  
Rich Sattgast, South Dakota State Auditor

Others: Allysen Kerr, Bureau of Finance and Management  
Keith Senger, Bureau of Finance and Management

**MOTION: AMEND SB 61**

61E

On the Introduced bill, delete everything after the enacting clause and insert:

"

**Section 1. That § 1-56-1 be AMENDED:**

**1-56-1.** Terms used in this chapter mean:

- (1) "Board," the State Board of Internal Control;
- (2) "Code of conduct," a set of ethical principles and guidelines that constitutes appropriate behavior within ~~an organization~~ a state agency;
- (3) "Internal control," a process that integrates the plans, activities, policies, attitudes, procedures, systems, resources, and efforts of ~~an organization~~ a state agency and that is designed to provide reasonable assurance that the ~~organization~~ state agency will achieve its objectives and missions and to detect and prevent financial malfeasance;
- (4) "Internal control office," the individual designated by each state agency to oversee the implementation, monitoring, and reporting of internal control systems in accordance with the board's guidelines and standards;
- (5) "Pass-through grant," a grant awarded by a federal entity to ~~the state entity~~ a state agency and transferred or passed to a sub-recipient by the state;
- (5)(6) "State agency," ~~the Legislature, any constitutional officer, the Unified Judicial System Board of Regents, and any department, division, bureau, board, commission, committee, authority, or agency of the State of South Dakota~~ under the authority of the Governor;
- (6) "Sub-recipient," an entity that expends a pass-through grant.

**Section 2. That § 1-56-2 be AMENDED:**

**1-56-2.** There is hereby created a State Board of Internal Control that consists of seven members. ~~Three members shall represent:~~

- (1) Four individuals representing state agencies under the control of the Governor and shall be, appointed by the Governor. ~~Each member appointed by the Governor shall serve a three-year term. However, the initial appointments shall be for staggered terms. The remaining members shall be the;~~
- (2) The commissioner of the Bureau of Finance and Management, ~~the~~ who serves as the chair;
- (3) The state auditor, ~~a,~~ and
- (4) An individual appointed by the executive director of the Board of Regents administrator's designee, and a member appointed by the Chief Justice of the Supreme Court.

Each individual appointed by the Governor serves a three-year term, provided that the initial appointments are for staggered terms. Any four of the seven members constitutes a quorum. ~~The commissioner of the Bureau of Finance and Management shall be chair of the board.~~

**Section 3. That § 1-56-3 be AMENDED:**

**1-56-3.** The board may promulgate rules, pursuant to chapter 1-26, to implement, manage, and provide oversight of a system of internal control in accordance with internal control standards.

**Section 4. That § 1-56-6 be AMENDED:**

**1-56-6.** The board shall ~~establish and maintain:~~

- (1) ~~Guidelines~~ Establish and maintain guidelines for an effective system of internal control to be implemented by state agencies that is in accordance with internal control standards;

- (2) ~~A~~ Establish and maintain a code of conduct for use by state agencies ~~excluding the Unified Judicial System; and;~~
- (3) ~~A conflict of interest~~ Establish and maintain a conflict-of-interest policy for use by state agencies ~~excluding the Unified Judicial System;~~
- (4) Evaluate and test the effectiveness of internal controls in state agencies;
- (5) Access all relevant records, data, and documents from state agencies to carry out the board's responsibilities; and
- (6) Review and assess whether internal controls are working as intended and make recommendations for improvements.

~~The Unified Judicial System may implement the code of conduct and conflict of interest policy in accordance with the code of judicial conduct and employee policies utilized within the Unified Judicial System.~~

**Section 5. That § 1-56-8 be AMENDED:**

**1-56-8.** Each state agency shall designate an internal control officer. The internal control officer shall ensure the agency complies with the provisions of this chapter. Two or more agencies may agree to designate a single individual as the internal control officer for the agencies participating in the agreement. The board shall make available to each internal control officer guidelines and standards that the state agency shall implement and comply. The board may take other actions as necessary to carry out the purpose and intent of this chapter.

**Section 6. That a NEW SECTION be added to chapter 1-56:**

Each state agency shall conduct an annual review of the agency's documented risk and control matrix to assess the adequacy and effectiveness of the agency's internal controls and risk mitigation strategies.

Following the review, each state agency shall submit the results to the Board of Internal Control, including any updates to the agency's risk and control matrix.

**Section 7.** On July 1, 2025, the term of the individual appointed to the State Board of Internal Control by the chief justice of the Supreme Court expires."

Moved by: Pischke  
Second by: Larson  
Action: Prevailed by voice vote

**MOTION: DO PASS SB 61 AS AMENDED**

Moved by: Karr  
Second by: Beal  
Action: Prevailed by Majority Members Elect (8-0-1-0)

Voting Yes: Beal, Jensen (Kevin), Karr, Larson, Peterson (Sue), Pischke, Perry, and Mehlhaff

Excused: Deibert

**SB 89 : repeal the requirement that judicial officers be listed on a separate nonpolitical ballot.**

Presented by: Senator Tom Pischke (Handout(s) HO#1)  
Proponents: Rick Weible, Self, Elkton (Handout(s) HO#2)  
Leah Anderson, Minnehaha County Auditor, Sioux Falls  
Others: Greg Sattizahn, Unified Judicial System

**MOTION: DO PASS SB 89**

Moved by: Karr  
Second by: Jensen (Kevin)  
Action: Prevailed by Majority Members Elect (8-0-1-0)

Voting Yes: Beal, Jensen (Kevin), Karr, Larson, Peterson (Sue), Pischke, Perry, and Mehlhaff

Excused: Deibert

**HAVING PASSED UNANIMOUSLY, THE CHAIR CERTIFIED SB 89 AS UNCONTESTED AND AS SUCH BE PLACED ON THE CONSENT CALENDAR.**

**SB 103 : prohibit the use of voter centers in a county.**

Presented by: Senator Tom Pischke (Handout(s) HO#3)  
Proponents: Rick Weible, Self, Elkton  
Nancy Stewart, Self, Brookings  
Jessica Pollema, Self, Sioux Falls  
Cindy Cooke, Self, Meade County  
Gary Meyer, Self, Sioux Falls  
Leah Anderson, Minnehaha County Auditor, Sioux Falls  
Megan Tschetter, Self, Hartford  
Scot Montgomery, Self, Fairview SD  
Linda Montgomery, Self, Fairview SD  
John Kunnari, Self, Sioux Falls  
Opponents: Thomas Oliva, Self, Hughes County Auditor, Pierre  
Stacy Pinney, Self, Haakon County Auditor, Philip  
Lynn Heupel, Brown County Auditor, Aberdeen  
Jason Gant, Self, Charles Mix County Auditor, Lake Andes  
Susan Lamb, Self, Sully County Auditor, Onida  
Marilyn Ring, Self, Hyde County Auditor, Highmore  
Patty Hojem, Self, Yankton County Auditor, Yankton  
Kris Jacobsen, South Dakota Association of County Officials, Pierre  
Sara Rankin, South Dakota Municipal League, Fort Pierre  
Heath Larson, Associated School Boards of South Dakota, Pierre  
Tom Deadrick, Secretary of State  
Brenda McGruder, Lawrence County Auditor, Deadwood  
Jill Hanson, Beadle County Auditor, Huron  
Lindley Howard, McPherson County Auditor, Leola

**MOTION: DEFER SB 103 TO THE 41<sup>ST</sup> LEGISLATIVE DAY**

Moved by: Larson  
Second by: Perry  
Action: Was not acted on.

**MOTION: SUBSTITUTE MOTION: DO PASS SB 103**

Moved by: Jensen (Kevin)  
Second by: Peterson (Sue)  
Action: Prevailed by Majority Members Elect (5-3-1-0)

Voting Yes: Beal, Jensen (Kevin), Karr, Peterson (Sue), and Pischke

Voting No: Larson, Perry, and Mehlhaff

Excused: Deibert

**MOTION: ADJOURN**

Moved by: Larson  
Second by: Perry  
Action: Prevailed by voice vote

Doug Mortenson, Committee Secretary

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/s/ JIM MEHLHAFF  
Jim Mehlhaff, Chair