

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.