



## 2025 South Dakota Legislature

# Senate Bill 61

### SENATE STATE AFFAIRS ENGROSSED

**This bill has been extensively amended (hoghoused) and may no longer be consistent with the original intention of the sponsor.**

*Introduced by: The Chair of the Committee on Judiciary at the request of the Attorney General*

1 **An Act to modify the authority of the Board of Internal Controls.**

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

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

4 **1-56-1.** Terms used in this chapter mean:

- 5 (1) "Board," the State Board of Internal Control;
- 6 (2) "Code of conduct," a set of ethical principles and guidelines that constitutes  
7 appropriate behavior within ~~an organization~~ a state agency;
- 8 (3) "Internal control," a process that integrates the plans, activities, policies, attitudes,  
9 procedures, systems, resources, and efforts of ~~an organization~~ a state agency and  
10 that is designed to provide reasonable assurance that the ~~organization~~ state agency  
11 will achieve its objectives and missions and to detect and prevent financial  
12 malfeasance;
- 13 (4) "Internal control officer," the individual designated by each state agency to oversee  
14 the implementation, monitoring, and reporting of internal control systems in  
15 accordance with the board's guidelines and standards;
- 16 (5) "Pass-through grant," a grant awarded by a federal entity to the state entity a state  
17 agency and transferred or passed to a sub-recipient by the state;
- 18 (5)(6) "State agency," the Legislature, any constitutional officer, the Unified Judicial  
19 System Board of Regents, and any department, division, bureau, board,  
20 commission, committee, authority, or agency of the State of South Dakota under  
21 the authority of the Governor;
- 22 (6)(7) "Sub-recipient," an entity that expends a pass-through grant.

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

24 **1-56-2.** There is hereby created a State Board of Internal Control that consists of  
25 seven members. ~~Three members shall represent:~~

1        ~~(1) Four individuals representing state agencies under the control of the Governor and~~  
 2        ~~shall be, appointed by the Governor. Each member appointed by the Governor shall~~  
 3        ~~serve a three-year term. However, the initial appointments shall be for staggered~~  
 4        ~~terms. The remaining members shall be the;~~

5        ~~(2) The commissioner of the Bureau of Finance and Management, the who serves as~~  
 6        ~~the chair;~~

7        ~~(3) The state auditor, a; and~~

8        ~~(4) An individual appointed by the executive director of the Board of Regents~~  
 9        ~~administrator's designee, and a member appointed by the Chief Justice of the~~  
 10       ~~Supreme Court.~~

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

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

16                **1-56-3.** The board may promulgate rules, pursuant to chapter 1-26, to implement,  
 17       manage, and provide oversight of a system of internal control in accordance with internal  
 18       control standards.

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

20                **1-56-6.** The board shall ~~establish and maintain:~~

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

24        (2) ~~A~~Establish and maintain a code of conduct for use by state agencies ~~excluding the~~  
 25        ~~Unified Judicial System; and;~~

26        (3) ~~A conflict of interest~~Establish and maintain a conflict-of-interest policy for use by  
 27        state agencies ~~excluding the Unified Judicial System;~~

28        (4) Evaluate and test the effectiveness of internal controls in state agencies;

29        (5) Access all relevant records, data, and documents from state agencies to carry out  
 30        the board's responsibilities; and

31        (6) Review and assess whether internal controls are working as intended and make  
 32        recommendations for improvements.

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

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

5           **1-56-8.** Each state agency shall designate an internal control officer. The internal  
6           control officer shall ensure the agency complies with the provisions of this chapter. Two  
7           or more agencies may agree to designate a single individual as the internal control officer  
8           for the agencies participating in the agreement. The board shall make available to each  
9           internal control officer guidelines and standards that the state agency shall implement and  
10          comply. The board may take other actions as necessary to carry out the purpose and  
11          intent of this chapter.

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

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

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

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