

## 2025 South Dakota Legislature

**Senate Bill 61****AMENDMENT 61E  
FOR THE INTRODUCED BILL**

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

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 office," 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) "Sub-recipient," an entity that expends a pass-through grant.

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

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

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

7 (2) The commissioner of the Bureau of Finance and Management, the who serves as  
 8 the chair;

9 (3) The state auditor, a; and

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

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

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

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

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

22 **1-56-6.** The board shall ~~establish and maintain:~~

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

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

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

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

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

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

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

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

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

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

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

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

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