



2025 South Dakota Legislature

Senate Bill 53

Introduced by: The Chair of the Senate Committee on Appropriations at the request of the Bureau of Finance and Management

1 **An Act to make modifications to the implementation, review, and oversight of the**
 2 **internal control system of the state.**

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

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

5 **1-56-1.** Terms used in this chapter mean:

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

23 **Section 2. That § 1-56-3 be AMENDED:**

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

4 **Section 3. That § 1-56-6 be AMENDED:**

5 **1-56-6.** The board shall ~~establish and maintain~~:

- 6 (1) ~~Guidelines~~Establish and maintain guidelines for an effective system of internal
 7 control to be implemented by state agencies that is in accordance with internal
 8 control standards;
- 9 (2) ~~A~~Establish and maintain a code of conduct for use by state agencies excluding the
 10 Unified Judicial System; ~~and~~
- 11 (3) ~~A conflict of interest~~Establish and maintain a conflict-of-interest policy for use by
 12 state agencies excluding the Unified Judicial System; ~~;~~
- 13 (4) ~~Evaluate and test the efficiency and effectiveness of internal controls in state~~
 14 agencies; and
- 15 (5) ~~Review and assess whether internal controls are working as intended and make~~
 16 recommendations for improvement.

17 The board may examine and retain, but not disclose, any data, document,
 18 information, or record maintained by a state agency that is relevant to the agency's
 19 internal controls.

20 Each state agency shall provide to the board any data, documentation, information,
 21 or record relevant to the agency's internal controls upon request by the board.

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

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

26 **1-56-8.** Each state agency shall designate an internal control officer who shall
 27 ensure agency compliance with this chapter. Two or more state agencies may agree to
 28 designate a single individual to serve as the internal control officer for the agencies in
 29 agreement. The board shall make available to each internal control officer guidelines and
 30 standards that the state agency shall implement and comply. The board may take other
 31 actions as necessary to carry out the purpose and intent of this chapter.

32 **Section 5. That a NEW SECTION be added to chapter 1-56:**

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

4 Following the review, each state agency shall submit the results, including any
5 updated risk and control matrix, to the statewide internal control officer and to the board.