



2025 South Dakota Legislature

Senate Bill 61

HOUSE 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) 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.

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.