



2025 South Dakota Legislature

Senate Bill 61

ENROLLED

AN ACT

ENTITLED An Act to modify the authority of the Board of Internal Control.

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

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 a state agency;
- (3) "Internal control," a process that integrates the plans, activities, policies, attitudes, procedures, systems, resources, and efforts of a state agency and that is designed to provide reasonable assurance that the state agency will achieve its objectives and missions and to detect and prevent financial malfeasance;
- (4) "Internal control officer," 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 a state agency and transferred or passed to a sub-recipient by the state;
- (6) "State agency," any constitutional officer, the Board of Regents, and any department, division, bureau, board, commission, committee, authority, or agency under the authority of the Governor;
- (7) "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:

- (1) Four individuals representing state agencies under the control of the Governor, appointed by the Governor;

- (2) The commissioner of the Bureau of Finance and Management, who serves as the chair;
- (3) The state auditor; and
- (4) An individual appointed by the executive director of the Board of Regents.

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.

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:

- (1) 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) Establish and maintain a code of conduct for use by state agencies;
- (3) Establish and maintain a conflict-of-interest policy for use by state agencies;
- (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.

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.

An Act to modify the authority of the Board of Internal Control.

I certify that the attached Act originated in the:

Senate as Bill No. 61

Secretary of the Senate

President of the Senate

Attest:

Secretary of the Senate

Speaker of the House

Attest:

Chief Clerk

Senate Bill No. 61
File No. _____
Chapter No. _____

Received at this Executive Office
this _____ day of _____,

2025 at _____ M.

By _____
for the Governor

The attached Act is hereby
approved this _____ day of
_____, A.D., 2025

Governor

STATE OF SOUTH DAKOTA,

ss.

Office of the Secretary of State

Filed _____, 2025
at _____ o'clock ____ M.

Secretary of State

By _____
Asst. Secretary of State