

## 2025 South Dakota Legislature

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

1 **An Act to modify the ~~authority~~ duties and administration of the State Board of**  
2 **Internal ~~Controls~~ Control.**

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

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

5 ~~1-56-3. The board may promulgate rules, pursuant to chapter 1-26, to implement,~~  
6 ~~manage, and ensure compliance with a system of internal control in accordance with~~  
7 ~~internal control standards.~~

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

9 **1-56-1.** Terms used in this chapter mean:

- 10 (1) "Board," the State Board of Internal Control;
- 11 (2) "Code of conduct," a set of ethical principles and guidelines that constitutes  
12 appropriate behavior within an organization a state agency;
- 13 (3) "Internal control," ~~a process that integrates the plans, activities, policies, attitudes,~~  
14 ~~procedures, systems, resources, and efforts of an organization and that is~~  
15 procedures within a state agency designed to provide reasonable assurance that  
16 the organization will achieve its objectives and missions and to detect and prevent  
17 while identifying and preventing financial malfeasance;
- 18 (4) "Pass-through grant," a grant awarded by a federal entity to the state entity a state  
19 agency and transferred or passed to a sub-recipient by the state;
- 20 (5) "State agency," ~~the Legislature, any~~ Any constitutional officer, ~~the Unified Judicial~~  
21 ~~System, and any department, division, bureau, board, commission, committee,~~  
22 ~~authority, or agency of the State of South Dakota~~ under the authority of the  
23 Governor, and the Board of Regents;
- 24 (6) "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 ~~seven members. Three members shall represent:~~

~~(1) Three 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;~~

~~(3) The state auditor, a Board of Regents administrator's designee, and a member appointed by the Chief Justice of the Supreme Court, who shall serve as the chair;~~

~~(4) The executive director of the Board of Regents; and~~

~~(5) The state treasurer.~~

~~The term of each individual appointed by the Governor is three years and must be staggered. 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 § 1-56-4 be AMENDED:**

**1-56-4.** The board shall ~~meet monthly for the first twelve months, and shall meet at least quarterly after the first every year. A record of the proceedings of the board shall~~ must be kept pursuant to § 1-25-3.

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

**1-56-5.** ~~The Bureau of Finance and Management state auditor shall provide administrative support to the board. If necessary, the board shall seek the advice of the auditor-general.~~

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

**1-56-6.** The board shall establish and maintain, for use by each state agency:

(1) Guidelines for an effective system of internal control to be implemented and complied with by state agencies ~~that is,~~ in accordance with internal control standards, which guidelines the board shall make available to each internal control officer, as described in § 1-56-8;

(2) Procedures for conducting a state agency risk review, as required by section 4 of this Act;

(2)(3) A code of conduct for use by state agencies, ~~excluding the Unified Judicial System;~~  
and

(3)(4) A ~~conflict of interest~~ conflict-of-interest policy for use by state agencies, ~~excluding~~  
~~the Unified Judicial System.~~

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

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

The state auditor shall employ an internal control auditor who shall:

(1) Make available to each state agency the guidelines, policies, and code of conduct  
developed by the board under § 1-56-6; and

(2) Periodically inspect and review the implementation by each state agency of the  
guidelines, policies, and code of conduct developed under § 1-56-6.

The internal control auditor shall work with each state agency internal control  
officer, as designated under § 1-56-8, to ensure that the state agency implements the  
guidelines, policies, and code of conduct developed under § 1-56-6. Each state agency  
shall provide the internal control auditor with access to any state agency personnel or  
facility and any data, document, information, policy, or record needed to ensure adequate  
procedures are being implemented to comply with the guidelines, policies, and code of  
conduct developed under § 1-56-6. If a state agency fails to comply with the access  
requirements provided under this section, the state auditor may initiate action in  
accordance with chapter 21-34.

The state auditor may employ and compensate necessary personnel to assist the  
internal control auditor in performing the duties of this section.

**Section 7. That § 1-56-8 be AMENDED:**

**1-56-8.** Each state agency shall designate an internal control officer. 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 who is responsible for ensuring compliance  
with this chapter. Two or more state agencies may enter into an agreement pursuant to  
chapter 1-24 to designate a single individual to serve as the internal control officer for the  
agreeing agencies. Each internal control officer shall cooperate with the internal control  
auditor to implement the requirements of this chapter.

1 **Section 8. That a NEW SECTION be added to chapter 1-56:**

2 Each state agency shall conduct a risk review annually and submit results to the  
3 board, at the time and in the manner designated by the board.

4 For purposes of this section, a "risk review" is an examination of a state agency's  
5 risk management processes and summarization of its current risks.

6 **Section 9. That § 1-56-3 be REPEALED.**

7 ~~The board may promulgate rules, pursuant to chapter 1-26, to implement a system~~  
8 ~~of internal control in accordance with internal control standards.~~

9 **Section 10.** On July 1, 2025, the term of the individual appointed to the State Board of  
10 Internal Control by the chief justice of the Supreme Court expires.