

2025 South Dakota Legislature

Senate Bill 61**AMENDMENT 61F
FOR THE SENATE STATE AFFAIRS ENGROSSED 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 § 1-56-1 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~~ a state agency;
- 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~~ procedures within a state agency designed to provide reasonable assurance
12 that the ~~organization~~ state agency will achieve its objectives ~~and missions and to~~
13 ~~detect and prevent~~ while identifying and preventing financial malfeasance;
- 14 (4) ~~"Internal control officer," the individual designated by each state agency to oversee~~
15 ~~the implementation, monitoring, and reporting of internal control systems in~~
16 ~~accordance with the board's guidelines and standards;~~
- 17 ~~(5)~~ "Pass-through grant," a grant awarded by a federal entity to ~~the state entity~~ a state
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 Board of Regents, and any department, division, bureau, board,
21 commission, committee, authority, or agency ~~of the State of South Dakota~~ under
22 the authority of the Governor;
- 23 ~~(6)(7)~~ "Sub-recipient," an entity that expends a pass-through grant.

24 **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 Three~~ individuals representing state agencies under the control of the
4 Governor ~~and shall be,~~ appointed by the Governor. ~~Each member appointed by the~~
5 Governor ~~shall serve a three-year term. However, the initial appointments shall be~~
6 ~~for staggered 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 who serves as the chair;

10 ~~(4) — An individual appointed by the 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 and;

13 ~~(5) — The state treasurer.~~

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

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

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

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

23 ~~1-56-4.~~ The board shall meet monthly for the first twelve months, and shall meet
24 at least quarterly after the first every year. A record of the proceedings of the board shall
25 must be kept pursuant to § 1-25-3.

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

27 ~~1-56-5.~~ The ~~Bureau of Finance and Management~~ state auditor shall provide
28 administrative support to the board. ~~If necessary, the board shall seek the advice of the~~
29 ~~auditor general.~~

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

- 1 **1-56-6.** The board shall establish and maintain, for use by each state agency:
- 2 (1) Guidelines~~Establish and maintain guidelines~~ for an effective system of internal
- 3 control to be implemented and complied with by state agencies~~that is,~~ in
- 4 accordance with internal control standards, which the board shall make available
- 5 to each internal control officer, as described in § 1-56-8;
- 6 (2) Procedures for conducting a state agency risk review, as required by section 4 of
- 7 this Act;
- 8 (3) ~~A~~Establish and maintain a code of conduct for use by state agencies~~excluding the~~
- 9 ~~Unified Judicial System; and; and~~
- 10 (3)(4) A conflict of interest~~Establish and maintain a conflict of interest~~ policy for use by
- 11 state agencies~~excluding the Unified Judicial System;~~
- 12 (4) ~~Evaluate and test the effectiveness of internal controls in state agencies;~~
- 13 (5) ~~Access all relevant records, data, and documents from state agencies to carry out~~
- 14 ~~the board's responsibilities; and~~
- 15 (6) ~~Review and assess whether internal controls are working as intended and make~~
- 16 ~~recommendations for improvements.~~
- 17 The Unified Judicial System may implement the code of conduct and conflict of
- 18 interest policy in accordance with the code of judicial conduct and employee policies
- 19 utilized within the Unified Judicial System.

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

- 21 The state auditor shall employ an internal control auditor who shall:
- 22 (1) Make available to each state agency the guidelines, policies, and code of conduct
- 23 developed by the board under § 1-56-6; and
- 24 (2) Periodically inspect and review the implementation by each state agency of the
- 25 guidelines, policies, and code of conduct developed under § 1-56-6.
- 26 The internal control auditor shall work with each state agency internal control
- 27 officer, as designated under § 1-56-8, to ensure that the state agency implements the
- 28 guidelines, policies, and code of conduct developed under § 1-56-6. Each state agency
- 29 shall provide the internal control auditor with access to any state agency personnel or
- 30 facility and any data, document, information, policy, or record needed to ensure adequate
- 31 procedures are being implemented to comply with the guidelines, policies, and code of
- 32 conduct developed under § 1-56-6. If a state agency fails to comply with the access
- 33 requirements provided under this section, the state auditor may initiate action in
- 34 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 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 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.~~

Section 8. 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.

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

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

Section 9. That § 1-56-3 be REPEALED.

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

Section 10. 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.