



State Board of Internal Control

ANNUAL REPORT TO GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

June 30, 2026



Statewide Internal Control Office



Manages the **implementation** of the **state internal control framework**.



Reviews, researches, interprets, and advises all state agencies on **internal control**.



Creates an annual **work plan and report** to support and promote strong internal control.



Staffs the **South Dakota Board of Internal Control** to strengthen oversight and collaboration.



Administered under **SDCL 1-56**.



Conducts risk-based testing of documented agency controls to validate control **performance and effectiveness**.

Statewide Internal Controls: Purpose and Value



PURPOSE

Establish a consistent statewide framework that helps state agencies manage risk and strengthen accountability through effective internal controls.



AUTHORITY

Established by Senate Bill 162 (2016) and strengthened through Senate Bill 61 (2025), under the oversight of the State Board of Internal Control.



OBJECTIVE

Provide reasonable assurance that agencies achieve effective operations, reliable reporting, and compliance with applicable laws and policies.



BENEFIT

Strengthen accountability and public confidence by proactively managing financial, operational, technology, compliance, and public perception risks across state government.

Key Benefits & Outcomes

A strong internal control framework drives better results for South Dakota.



A continuous cycle of strong internal controls leads to better outcomes for our state and the people we serve.



Provides a consistent **framework**



Creation of **policies** and **procedures**



Provides defined **roles** and **responsibilities**



Improved **internal controls**



Process and cost **improvements**



More **positive attention** from the public



Adaptive to the State's objectives and changing needs



Improved statewide **governance**



Ability to **measure and enhance** performance



Sustain success



Effective, efficient



Measurement of **health status** of statewide activities

Highlights



Strengthening internal controls through collaboration, training, and measurable results.



Driving **accountability**. Building **capacity**. Strengthening **controls** across the State.

Subrecipient Audit Reviews

Reviewed audit findings pertaining to federal award programs administered by state agencies as required by [SDCL 1-56-9](#).

- Avera Health 
- Monument Health, Inc. 
- West River Electric Association, Inc. 
- Yankton Transit, Inc. 
- West River Transit Authority, Inc. 
- Youth and Family Services, Inc. 
- Early Childhood Connections 

Statewide Internal Control Lifecycle

Internal controls are an ongoing process of identifying risks, implementing safeguards, monitoring effectiveness, and continuously improving to support agency objectives and protect public resources.



RESULT: A proactive, risk-based approach that strengthens accountability, supports informed decision-making, and protects public resources.

Agency Implementations

Statewide Internal Control Framework Implementation Status



 **28**
AGENCIES
FULLY IMPLEMENTED

 **1**
AGENCY
IN PROGRESS

 **99%**
STATEWIDE
COMPLETION


IMPLEMENTATION STATUS BY AGENCY

- ✓ Board of Regents
- ✓ Bureau of Finance & Management
- ✓ Bureau of Human Resources & Administration (BHRA)
- ✓ Bureau of Information & Technology (BIT)
- ✓ Department of Agriculture & Natural Resources
- ✓ Department of Corrections
- ✓ Department of Education
- ✓ Department of Game, Fish & Parks
- ✓ Department of Health
- ✓ Department of Human Services
- ✓ Department of Labor & Regulation

- ✓ Department of Military
- ✓ Department of Public Safety
- ✓ Department of Revenue
- ✓ Department of Social Services
- ✓ Department of Tourism
- ✓ Department of Transportation
- ✓ Department of Tribal Relations
- ✓ Department of Veterans' Affairs
- ✓ Governor's Office of Economic Development
- ✓ Office of the Attorney General
- ✓ Governor's Office

- ✓ Office of the State Auditor
- ✓ Office of the State Treasurer
- ✓ Public Utilities Commission
- ✓ School & Public Lands
- ✓ South Dakota Retirement System *
- ✓ Unified Judicial System *

 **Secretary of State**
Implementation in progress

 Fully Implemented

 In Progress

* Not statutorily required to implement the Statewide Internal Control Framework.

SBIC Metrics Report


Metric	Details	Quarter 4, FY 26		Quarter 3, FY 26		Quarter 2, FY 26		Quarter 1, FY 26	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Risk by Type	Public Perception	1145	8.2%	964	7.6%	946	7.7%	715	7.5%
	Technology	865	6.2%	790	6.2%	785	6.4%	590	6.2%
	Operational	7403	52.7%	6680	52.8%	6499	53.0%	5123	53.8%
	Compliance	2709	19.3%	2494	19.7%	2425	19.8%	1912	20.1%
	Financial	1695	12.1%	1537	12.1%	1441	11.7%	1061	11.1%
	Fraud	218	1.6%	188	1.5%	175	1.4%	125	1.3%
		14,035	100%	12,653	100%	12,271	100%	9,526	100%
Risk by Priority	Low	2569	18.3%	2273	18.0%	2213	18.0%	1769	18.6%
	Medium	8703	62.0%	7894	62.4%	7672	62.5%	5879	61.7%
	High	2245	16.0%	2022	16.0%	1931	15.7%	1519	15.9%
	Critical	518	3.7%	464	3.7%	455	3.7%	359	3.8%
	14,035	100%	12,653	100%	12,271	100%	9,526	100%	
Control Owner Self-Assessments	Completed On-time	98.4%		99.3%		99.5%		97.1%	
Past Due Remediation Actions		0		0		0		0	
High/Critical Risks with Control Issues		Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Public Perception	8	4.6%	2	5.7%	6	3.9%	4	8.5%
	Technology	22	12.6%	2	5.7%	14	9.1%	6	12.8%
	Operational	97	55.4%	23	65.7%	90	58.4%	28	59.6%
	Compliance	35	20.0%	1	2.9%	24	15.6%	2	4.3%
	Financial	11	6.3%	7	20.0%	16	10.4%	7	14.9%
	Fraud	2	1.1%	0	0.0%	4	2.6%	0	0.0%
	175	100%	35	100%	154	100%	47	100%	
Total Open Control Issues		0		0		0		0	
Preventive vs. Detective Controls		74.2% vs. 25.8%		74.5% vs. 25.5%		74.6% vs. 25.4%		74.7% vs. 25.3%	
Controls by Frequency	Ad-Hoc	1883	49.8%	1673	50.1%	1623	50.4%	1296	49.7%
	Daily	531	14.1%	459	13.8%	447	13.9%	366	14.0%
	Weekly	127	3.4%	114	3.4%	111	3.4%	81	3.1%
	Bi-Weekly	20	0.5%	18	0.5%	17	0.5%	17	0.7%
	Monthly	338	8.9%	295	8.8%	284	8.8%	227	8.7%
	Bi-Monthly	15	0.4%	14	0.4%	14	0.4%	10	0.4%
	Quarterly	171	4.5%	131	3.9%	128	4.0%	90	3.4%
	Semi-Annually	97	2.6%	86	2.6%	86	2.7%	76	2.9%
	Annually	597	15.8%	548	16.4%	512	15.9%	447	17.1%
		3,779	100%	3,338	100%	3,222	100%	2,610	100%
Control Issues by Agency	Board of Regents	18	10.3%	0	0.0%	19	12.3%	0	0.0%
	Bureau of HR & Admin	46	26.3%	0	0.0%	48	31.2%	0	0.0%
	Bureau of Information & Technology	43	24.6%	0	0.0%	32	20.8%	0	0.0%
	Department of Ag & Nat Resources	0	0.0%	0	0.0%	0	0.0%	2	4.3%
	Department of Corrections	34	19.4%	0	0.0%	35	22.7%	0	0.0%
	Department of Game, Fish & Parks	0	0.0%	10	28.6%	0	0.0%	18	38.3%
	Department of Health	0	0.0%	6	17.1%	0	0.0%	7	14.9%
	Department of Human Services	3	1.7%	0	0.0%	4	2.6%	0	0.0%
	Department of Labor and Regulation	0	0.0%	0	0.0%	0	0.0%	4	8.5%
	Department of Public Safety	0	0.0%	1	2.9%	0	0.0%	0	0.0%
	Department of Revenue	2	1.1%	0	0.0%	0	0.0%	0	0.0%
	Department of Social Services	0	0.0%	17	48.6%	0	0.0%	16	34.0%
	Department of Tourism	1	0.6%	0	0.0%	0	0.0%	0	0.0%
	Department of Transportation	23	13.1%	0	0.0%	10	6.5%	0	0.0%
	Gov's Office of Econ. Development	1	0.6%	0	0.0%	2	1.3%	0	0.0%
	Office of the Attorney General	3	1.7%	0	0.0%	4	2.6%	0	0.0%
	Office of the State Treasurer	1	0.6%	0	0.0%	0	0.0%	0	0.0%
	South Dakota Retirement System	0	0.0%	1	2.9%	0	0.0%	0	0.0%
		175	100%	35	100%	154	100%	47	100%

Fiscal Year 2027 Work Plan

Advance strong internal controls and accountability across state agencies through risk-based oversight, collaboration, and continuous improvement.

 1st Quarter July – September	 2nd Quarter October – December	 3rd Quarter January – March	 4th Quarter April – June
<ul style="list-style-type: none"> Review sub-recipient audit findings and monitor corrective action progress Receive and discuss updates from GOAC Review quarterly state agency internal control reports Monitor agency Risk and Control Matrix (RCM) annual review progress in accordance with SDCL 1-56-13 Discuss emerging internal control risks, compliance concerns, and remediation efforts as needed 	<ul style="list-style-type: none"> Review sub-recipient audit findings and monitor corrective action progress Receive and discuss updates from GOAC Review quarterly state agency internal control reports Monitor agency Risk and Control Matrix (RCM) annual review progress in accordance with SDCL 1-56-13 Discuss emerging internal control risks, compliance concerns, and remediation efforts as needed 	<ul style="list-style-type: none"> Review sub-recipient audit findings and monitor corrective action progress Receive and discuss updates from GOAC Review quarterly state agency internal control reports Monitor agency Risk and Control Matrix (RCM) annual review progress in accordance with SDCL 1-56-13 Discuss emerging internal control risks, compliance concerns, and remediation efforts as needed 	<ul style="list-style-type: none"> Review sub-recipient audit findings and monitor corrective action progress Receive and discuss updates from GOAC Review quarterly state agency internal control reports Monitor agency Risk and Control Matrix (RCM) annual review progress in accordance with SDCL 1-56-13 Discuss emerging internal control risks, compliance concerns, and remediation efforts as needed Develop Fiscal Year 2028 Work Plan

ONGOING ACTIVITIES	 Plan and conduct agency Risk and Control Matrix (RCM) reviews	 Perform testing of key internal controls and document results	 Provide technical assistance, training, and periodic check-ins with agency internal control officers	 Follow up on corrective actions and recommendations resulting from control reviews and audit findings	 Support continuous improvement of agency internal control processes and documentation
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 All activities are risk-based and may be adjusted as needed.

Our Team



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