



2025 South Dakota Legislature

House Bill 1147

Introduced by: **Representative Garcia**

1 **An Act to require that public entities submit to forensic accounting in cases of**
 2 **financial misconduct.**

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

4 **Section 1. That a NEW SECTION be added to chapter 4-11:**

5 Any state agency, board, commission, department, officer, penal or educational
 6 institution, or any other public entity receiving moneys by appropriation or expending
 7 moneys pursuant to state law must submit to a forensic audit by the Department of
 8 Legislative Audit if, after preliminary investigation of a credible allegation, the Department
 9 of Legislative Audit determines there is probable cause that fraud or embezzlement, as
 10 described in chapter 22-30A, misappropriation of public moneys, as described in § 4-9-5
 11 or 22-30A-46, or other financial misconduct has occurred.

12 The forensic audit must be conducted by the Department of Legislative Audit, or
 13 the Department of Legislative Audit may authorize an independent auditor with expertise
 14 in forensic accounting and fraud detection to conduct the forensic audit.

15 The forensic audit must include:

- 16 (1) An examination of all financial transactions of the public entity for the time period
 17 in question;
 18 (2) An evaluation of the public entity's internal controls and risk management systems;
 19 (3) Detailed documentation of any applicable finding of error, financial misconduct,
 20 internal control weakness, or other financial irregularity; and
 21 (4) Recommendations for improvements necessary to prevent future financial
 22 irregularities.

23 Results of the forensic audit must be reported and filed as provided in § 4-11-9.

24 Any costs associated with the forensic audit must be paid by the public entity
 25 subject to the forensic audit.