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Shaping the Firm of the Future

The White House Executive Order on AI and the Impact for Advisory and Audit Firms

White House Executive Order on AI

On October 30, 2023, President Joe Biden signed an Executive Order on the safe, secure, and trustworthy development and use of artificial intelligence (AI) in the United States. The order aims to promote the responsible and ethical use of AI across the public and private sectors, as well as to protect the nation from potential AI-powered threats. While a good portion of the order discusses how to defend the country against such threats, there are also many parts of the order that are relevant to private businesses, especially those in the advisory and audit industry.

Anders and Fieldguide have seen firsthand the impact of AI on the industry, so we will explore some of the key points of the order that affect the advisory and audit industry, and how to best prepare for the future of AI.

"The Executive Order establishes new standards for AI safety and security, protects Americans' privacy, advances equity and civil rights, stands up for consumers and workers, promotes innovation and competition, advances American leadership around the world, and more."

- The White House, *October 30, 2023*

AI Benefits to Advisory and Audit Firms

While the Executive Order highlights some of the challenges and risks of AI, it also acknowledges some of its opportunities and benefits. According to Abe Babler, Principal at Anders, AI can help advisory and audit firms in many ways, such as:

- **Improve efficiency and job quality**: AI can help practitioners automate lower-level tasks, such as data collection, processing, and review, which often frustrates many practitioners. AI can also help reduce errors, improve accuracy, and increase consistency and quality of engagements. By leveraging AI to reduce manual and tedious tasks, practitioners have more free time for higher-level and more fulfilling client-facing tasks.

- **AI as a complement for practitioners**: AI cannot do the work of a firm, and it does not actually 'think' for itself, as it is largely based on learning from data sets. However, AI can augment and complement human capabilities and intelligence, as well as provide them with more insights and value. AI can also help improve collaboration and communication among practitioners, as well as with clients. Validation and review of the data is still needed to continue to meet AICPA requirements and due diligence processes.

- **Improve objectivity**: AI can help provide more objective and data-driven analysis, and avoid any human bias or subjectivity that may affect judgment or decision-making with clients. AI can also help identify and correct any bias that may exist in client interactions.

- **Professional development**: AI can provide new training methods for practitioners to learn new skills, as well as supplement the skills and competencies of those practitioners. Firms can also offer new roles and functions that focus on AI expertise and knowledge.

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Abe Babler
Principal, Anders

What the Executive Order Means for Firms

The Executive Order covers a wide range of topics related to AI, from research and development to governance and regulation. According to Babler, here are some of the main points that are relevant to CPA firms:

- **Recruiting AI talent**: The Executive Order recognizes the need to attract and retain a diverse and skilled AI workforce, and it also calls for the development of a national AI education and training strategy. This means that in addition to businesses that are already recruiting AI talent, accounting firms will now have to compete with the public sector and invest in their own AI education programs to better attract and retain employees.
- **AI and job quality**: The Executive Order acknowledges that AI can improve the quality of work and life for workers, directing the Secretary of Labor to issue guidance on how to use AI to enhance worker productivity, safety, health, and well-being. This means that firms should leverage AI to automate lower-level tasks, reduce errors, and streamline engagements, while also ensuring that staff members are not harmed by AI.
- **AI ethics and discrimination**: The Executive Order emphasizes the importance of ensuring that AI is fair, equitable, and accountable. It directs the Attorney General to issue guidance on how to enforce anti-discrimination laws and protect civil rights in the context of AI. This means that accounting firms will have to adhere to the highest standards of AI ethics and avoid any bias or discrimination in their AI systems and services, as well as monitor and audit their AI performance and outcomes, especially with clients.

Recruiting AI talent

Job quality

Ethics and discrimination

Content authentication

Review of AI technologies

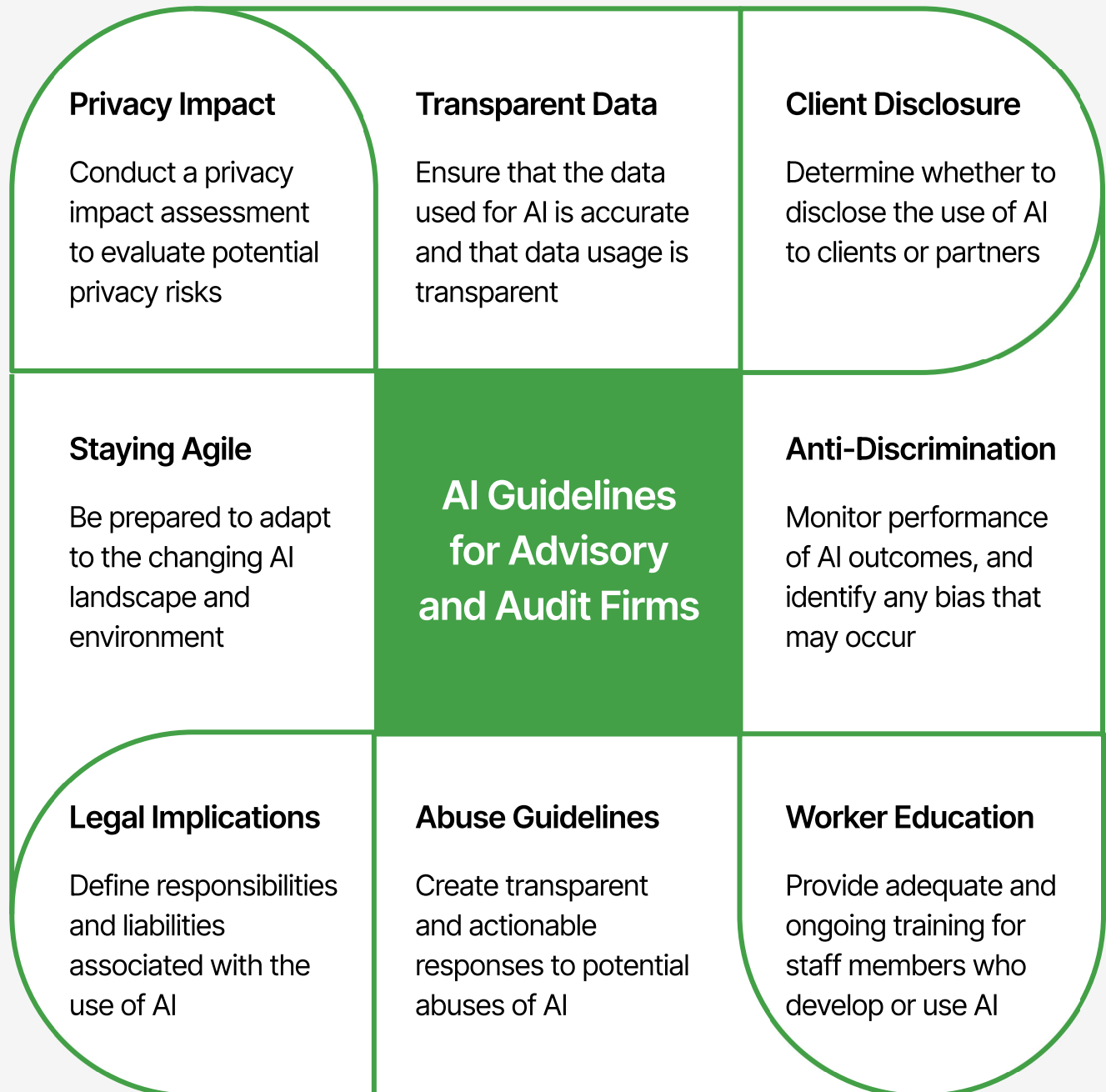**International work**

AI-based attacks

- **Digital content authentication**: The Executive Order recognizes the potential risks of AI-generated or manipulated digital content, such as deepfakes, and directs the Secretary of Commerce to issue guidance on how to authenticate and verify such content, as well as to detect and mitigate any harmful or malicious use of such content. This means that advisory firms will have to be vigilant about the sources and veracity of the content they create, especially when it comes to client deliverables. Firms may also have to disclose what AI tools and techniques they are using with engagements.
- **Review of dual-foundation AI**: The Executive Order acknowledges that some AI technologies may have both civilian and military applications, and it directs the Secretary of Defense to establish a process for reviewing and approving such dual-foundation AI technologies for export or transfer. Firms that develop or use such AI technologies will likely have to comply with the government's review and approval process, and may face restrictions or limitations on the use of such technologies, especially with international clients.
- **International resources using AI**: The Executive Order recognizes the need to cooperate and coordinate with international partners and allies on AI issues, directing the Secretary of State to lead the development and implementation of a global AI strategy. This means that advisory and audit firms will have to be aware of and respect the different AI policies and regulations of other countries, and will have to align their AI practices and standards with global AI strategy and norms.
- **AI-powered cybersecurity attacks**: The Executive Order recognizes the potential threats of AI-powered cyberattacks. It directs the Secretary of Homeland Security to issue guidance on how to prevent, detect, and respond to such attacks, as well as to enhance the security of the nation's critical infrastructure. This means that advisory and audit firms will have to continue having to educate clients on strengthening their cybersecurity defenses and capabilities, especially when it comes to AI-based attacks.

A Future-Proof Set of AI Guidelines for CPA Firms

As the Executive Order indicates, the development and use of AI is not without challenges and risks, and it requires careful and responsible management and oversight. Babler states that it is important for advisory and audit firms to start thinking about a potential set of AI guidelines that can help them ensure the safe, secure, and trustworthy use of AI. Here are eight core guidelines that firms should consider:

1. **Privacy impact assessments:** Before developing or using any AI system or service, conduct a privacy impact assessment to identify and evaluate any potential privacy risks or impacts, and implement appropriate measures to mitigate or minimize them. Ensure that AI technologies comply with the applicable privacy laws and regulations, and respects privacy rights and preferences of clients. And remember, if your firm uses open source AI, that may be feeding AI learning models, so your work could be repeated elsewhere and potentially expose client data.

2. **Fair and transparent data practices**: Ensure that the data used for AI is accurate, complete, relevant, and representative, and that the data collection, processing, and sharing are fair, lawful, and transparent. Provide clear and concise information and notice to clients about data practices, and obtain informed consent or opt-in when required.

3. **Client disclosure**: When considering the impact of AI on a particular project or throughput, firms should determine whether they should disclose their use of AI to clients or partners. Relying on AI work can be highly beneficial, but it should be communicated with parties involved. This transparency can be both beneficial and risk mitigating.

4. **Enforcing anti-discrimination laws:** Ensure that AI technologies do not discriminate or harm any individual or group on the basis of any protected characteristic, such as race, gender, age, disability, or religion. Monitor and audit the AI performance and outcomes with engagements, and identify and correct any bias or discrimination that may occur. Remember, AI is only using the data it has been provided and is limited by that data set.

Privacy Impact

Conduct a privacy impact assessment to evaluate potential privacy risks

Transparent Data

Ensure that the data used for AI is accurate and that data usage is transparent

Client Disclosure

Determine whether to disclose the use of AI to clients or partners

Staying Agile

Be prepared to adapt to the changing AI landscape and environment

AI Guidelines for Advisory and Audit Firms

Anti-Discrimination

Monitor performance of AI outcomes, and identify any bias that may occur

Legal Implications

Define responsibilities and liabilities associated with the use of AI

Abuse Guidelines

Create transparent and actionable responses to potential abuses of AI

Worker Education

Provide adequate and ongoing training for staff members who develop or use AI

5. **Supporting worker education and training**: Provide adequate and ongoing education and training for staff members who develop or use AI technologies. Equip them with the necessary skills and competencies to perform their roles and functions effectively and ethically. Provide them with appropriate guidance and support, and ensure that they understand and follow a firm's AI policies and standards. Education should include security training around AI.

6. **Guidelines for abuse**: Individuals may be tempted to circumvent normal processes of quality control, review, and due diligence. Consideration for personnel management within the AI guidelines for a firm becomes paramount. Abusing AI can have immediate and long term implications, risks, and liabilities. Presenting transparent responses for the abuse of AI should be considered when establishing firm guidance.

7. **Legal implications**: AI is an automation tool used to complement tasks and research functions. Included in the usage of such a tool is the data set or data sets the tool utilized to complete functions. This data, and the tool itself, need to be managed responsibly to serve the intended functions. If the functions are abused, invalid, or create results that are incorrect, there can be detrimental consequences, which could include potential litigation.Clearly define responsibilities and liabilities associated with the use of AI, consider obtaining appropriate insurance to mitigate potential legal risks, and consult legal counsel for appropriate strategies involving AI.

8. **Staying agile:** Recognize that the AI field is dynamic and evolving and that the government is still determining how to best regulate and govern it. Be prepared to adapt and adjust to the changing AI landscape and environment. Be ready to comply with any new or updated AI laws and regulations.

Next Steps with AI

The White House Executive Order on AI is a significant and timely initiative that sets the direction and vision for the future of AI in the United States. It also has important implications and implications for the advisory and audit industry, as it affects how firms develop and use AI internally as well as with clients.

Therefore, it is essential for firms to understand and appreciate the Executive Order, and they need to start thinking about how to best prepare for and embrace the future of AI. By following some of the potential AI guidelines suggested here, firms can ensure that they use AI in a safe, secure, and trustworthy manner, and that they continue delivering more value and impact to clients.

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– Abe Babler, Principal, Anders

About us

Fieldguide Powers the Future of Trust

Built by and for practitioners, Fieldguide's AI Advisory & Audit Cloud makes it amazingly easy for clients and teams to automate the entire lifecycle of any type of engagement. Our cloud-based software helps firms take advantage of the increasing demand for audit and advisory services by addressing the challenges of scarce talent, remote collaboration, and modern client expectations.

Fieldguide provides end-to-end visibility across all engagements, streamlined collaboration with distributed clients and teams, and unparalleled staff productivity for any framework, including SOC 1 & SOC 2, HITRUST, PCI DSS, HIPAA, and many more. Instead of juggling siloed legacy tools, practitioners can rely on Fieldguide as a single source of truth, with all the capabilities that they need to run engagements from kickoff to completion. Streamlined requests, collaborative document management, intelligent framework mapping, and one-click reports are just some of the unique Fieldguide features that help firms drive greater visibility across all engagements, while delivering a first-class client experience. Top 500 firms like Wipfli, Mazars and BerryDunn trust Fieldguide to increase revenue, boost client satisfaction, and improve profits.

Fieldguide has received multiple awards from industry associations, and the company is backed by top venture capital firms, including 8VC, Y Combinator, and Floodgate.

For more information or to schedule a free product demo, visit
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