webinar to begin shortly

elliott davis

Responsible AI Starts Here: Governance and Controls in Action

July 30, 2026

2-3 ET | 1-2 CT

elliott davis

Responsible AI Starts Here: Governance and Controls in Action

July 30, 2026

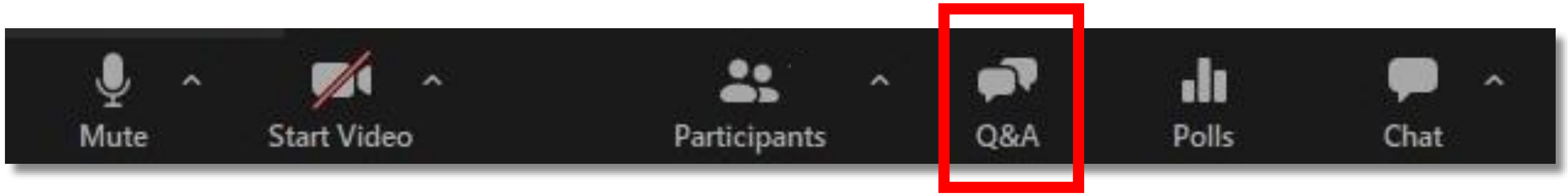
2-3 ET | 1-2 CT

before we begin

elliott davis

questions:

Submit questions via the Q&A box
Questions will be addressed at the end, or via email



cpe requirements:

Stay on for the duration of the webinar

Respond to all 4 polling questions

For technical difficulties with polling, please notify us via the Q&A box in Zoom

Complete and submit the survey following the webinar

today's speakers

Host

Presenters

Lauren Nilan
Principal
Lauren.Nilan@elliottdavis.com

Lori Axon
Director
Lori.Axon@elliottdavis.com

Cibele Rocha Da Motta
Manager
Cibele.RochaDaMotta@elliottdavis.com

Learning Objectives

1 | Understand key Artificial Intelligence (AI) risks, from data integrity and bias to regulatory, operational, and reputational exposures.

2 | Learn the components of an effective AI governance framework, including policies, roles, accountability structures, and oversight mechanisms that scale with your organization.

3 | Identify practical controls and next steps: Actionable strategies you can implement now to strengthen your AI risk posture and prepare for what's ahead.

The AI Value Path

How AI capability compounds — Elliott Davis's framework for building durable value from AI.

Four stages. Each unlocks a different kind of value. Each earns the next.

FOUNDATION

WHAT GETS BUILT

Alignment, fluency, governance.

VALUE UNLOCKED

Better judgment. Less wasted investment.

CAPACITY

WHAT GETS BUILT

Repeatable AI-enabled workflows.

VALUE UNLOCKED

Time saved. Throughput. Recovered capacity.

LEVERAGE

WHAT GETS BUILT

Cross-functional process redesign.

VALUE UNLOCKED

Cycle time. Scale. Consistency.

ADVANTAGE

WHAT GETS BUILT

Strategic agility, differentiation.

VALUE UNLOCKED

New revenue. Market expansion. Durable edge.

AI capability compounds when built in the right sequence.

Where Governance Sits in the AI Journey

Governance is the Foundation of the AI Value Path.

FOUNDATION → CAPACITY → LEVERAGE → ADVANTAGE

- Most organizations rush to Capacity — AI-enabled workflows, hours saved, quick wins.
- The ones who compound past that point set Foundation first: alignment, fluency, governance.
- Today's session is about that Foundation — the governance and controls that make everything downstream safe, auditable, and real.

Governance isn't a brake on AI. It's the thing that enables it to compound.

Where You Are on the AI Value Path Shapes Your Governance

The controls conversation looks different at each stage. Here's how.

	FOUNDATION	CAPACITY	LEVERAGE	ADVANTAGE
WHAT IT LOOKS LIKE	Aligning leadership, building fluency, setting policy.	Point workflows using AI, like today's JE example.	Redesigned cross-functional processes.	AI-enabled differentiation, autonomous capability.
GOVERNANCE FOCUS	Get the substrate right before you deploy anything.	Data, model, and operational controls per use case.	Process-level governance; agent guardrails; end-to-end ownership.	Continuous assurance; drift and decisions auditable in real time.

Most organizations are at Foundation or early Capacity – where governance discipline pays the most compounding interest.

polling question #1

AI in Practice: Understanding Governance, Risk, and Controls in an AI Use Case

What AI Is Doing in This Use Case

Three distinctions worth drawing before we go further.

RULES & AUTOMATION	TRADITIONAL ANALYTICS	AI (THIS USE CASE)
WHAT IT DOES	**WHAT IT DOES**	**WHAT IT DOES**
Applies fixed thresholds you defined	Summarizes what already happened	Learns normal patterns across thousands of transactions
EXAMPLE	**EXAMPLE**	**EXAMPLE**
Flag any JE over $50K	Trend in manual entries this quarter	This JE is unusual given the vendor, user, timing, and account history
CHARACTERISTICS	**CHARACTERISTICS**	**CHARACTERISTICS**
Deterministic. Predictable. Static.	Descriptive. Backward-looking.	Contextual. Multi-variable. Adapts as data changes.

AI isn't predicting the future. It's recognizing when today's activity doesn't match the patterns it has learned.

BEFORE AI

Traditional Review Workflow

DATA SOURCES:
Journal Entry

METHOD:
Manual review of a subset using sampling and rules

DECISION INPUT:
Exceptions surfaced by thresholds

HUMAN ATTENTION:
Spent screening the full sample

OUTCOME:
Coverage limited to what the rules could see

elliott davis

Traditional Financial Controls Monitoring

An organization selects a **subset of journal entries** based on **predefined sampling and threshold rules** to review and identify **exceptions** that may indicate errors, fraud, or unusual activity.

BEFORE AI
Traditional review

Journal Entries

↓

Manual Review
(Subset of Population)

↓

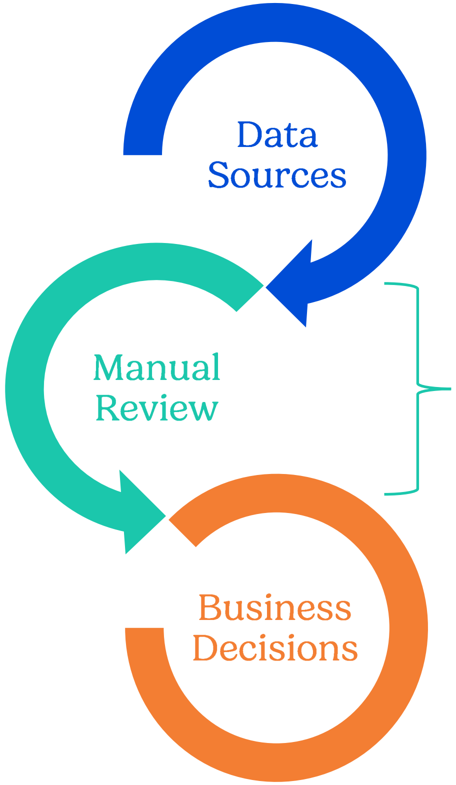
Sampling & Rules

↓

Exception Identification

↓

Management Action



The constraint is on what the rules can see.

AFTER AI

AI-Enabled Review Workflow

DATA SOURCES:
Financial & Operational Data

DATA PROCESSING:
Full Population, multi-variable pattern recognition

AI MODEL:
AI evaluates large volumes of data to identify patterns, relationships, and anomalies

DECISIONS INPUT:
Risk-prioritized anomalies with context

HUMAN ATTENTION:
Focused on entries that warrant judgement

elliott davis

AI-Enabled Financial Controls Monitoring

AFTER AI
AI-enabled review

Financial & Operational Data

↓

AI Analysis (Full Population)

↓

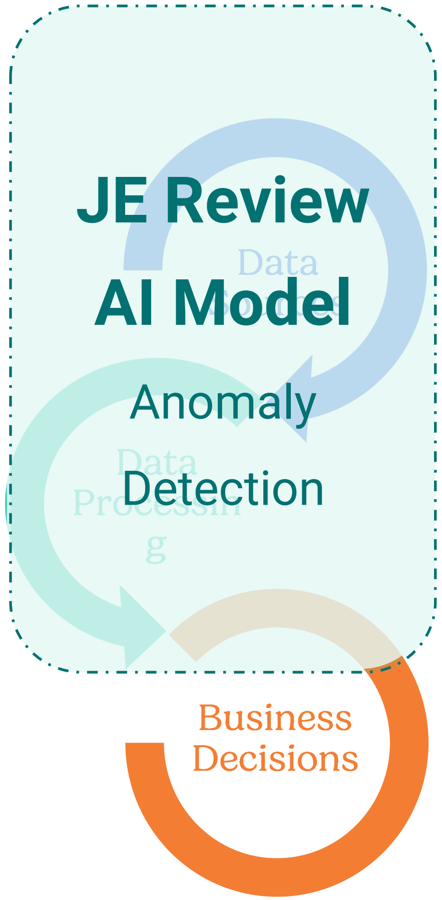
Risk Prioritization

↓

Focused Review

↓

Management Action

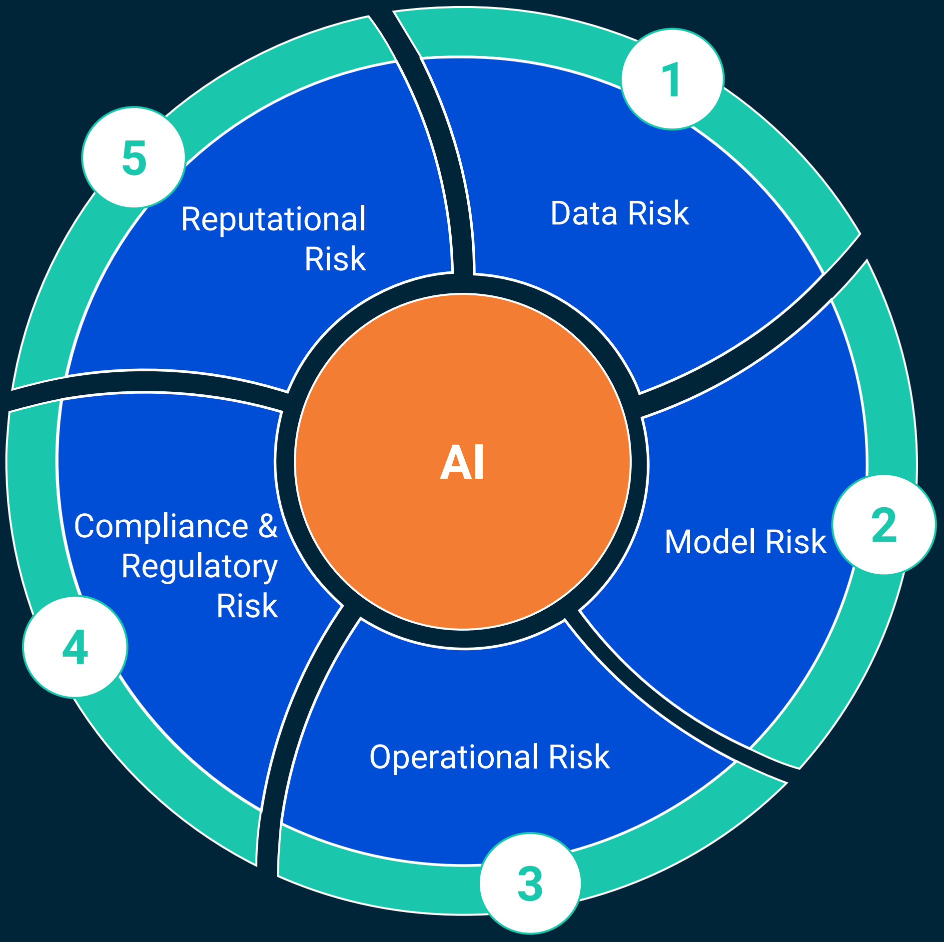


Same control objective. Different mechanism. Higher coverage. More targeted review.

Key AI Risk Domains

Key AI Risk Domains

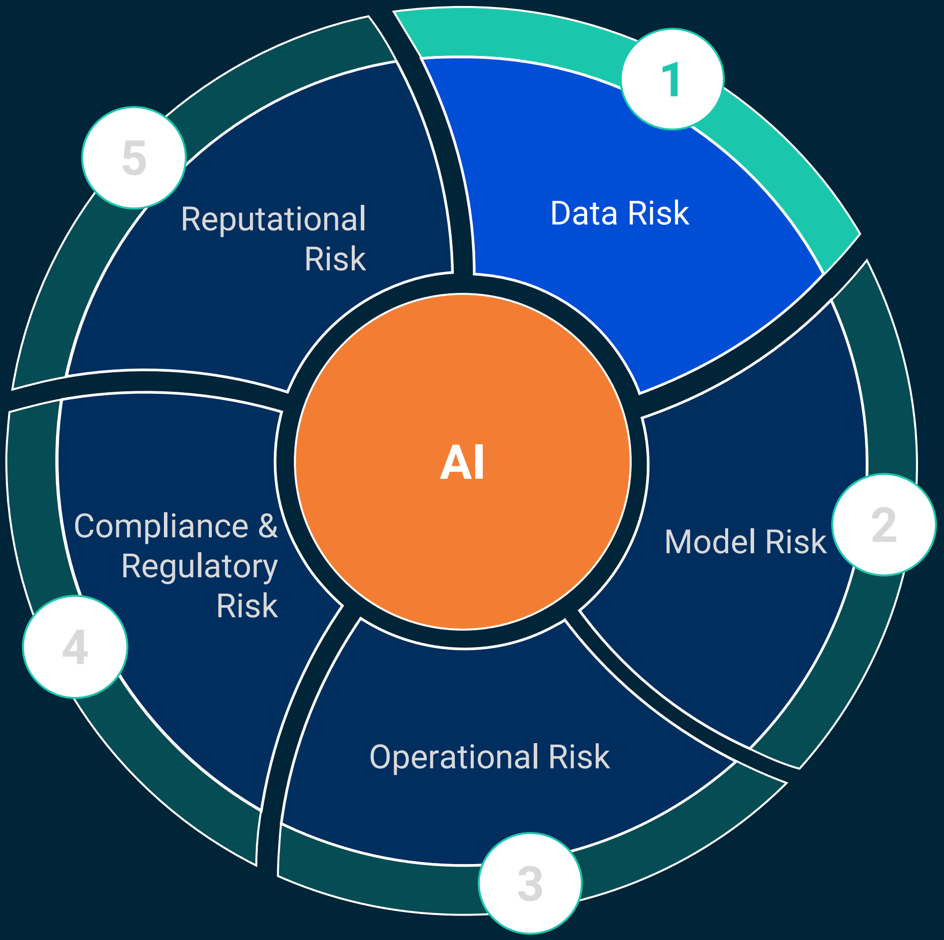
While AI enhances business processes by delivering efficiencies, scalability, and insights beyond traditional methods, it also **introduces new risk** considerations and **reshapes existing risk** profiles across data integrity, model reliability, control execution, regulatory compliance, and stakeholder trust.



Key AI Risk Domains

Data Risk

- Exposure, misuse, or unauthorized access
- Incomplete, inaccurate, biased, or outdated data

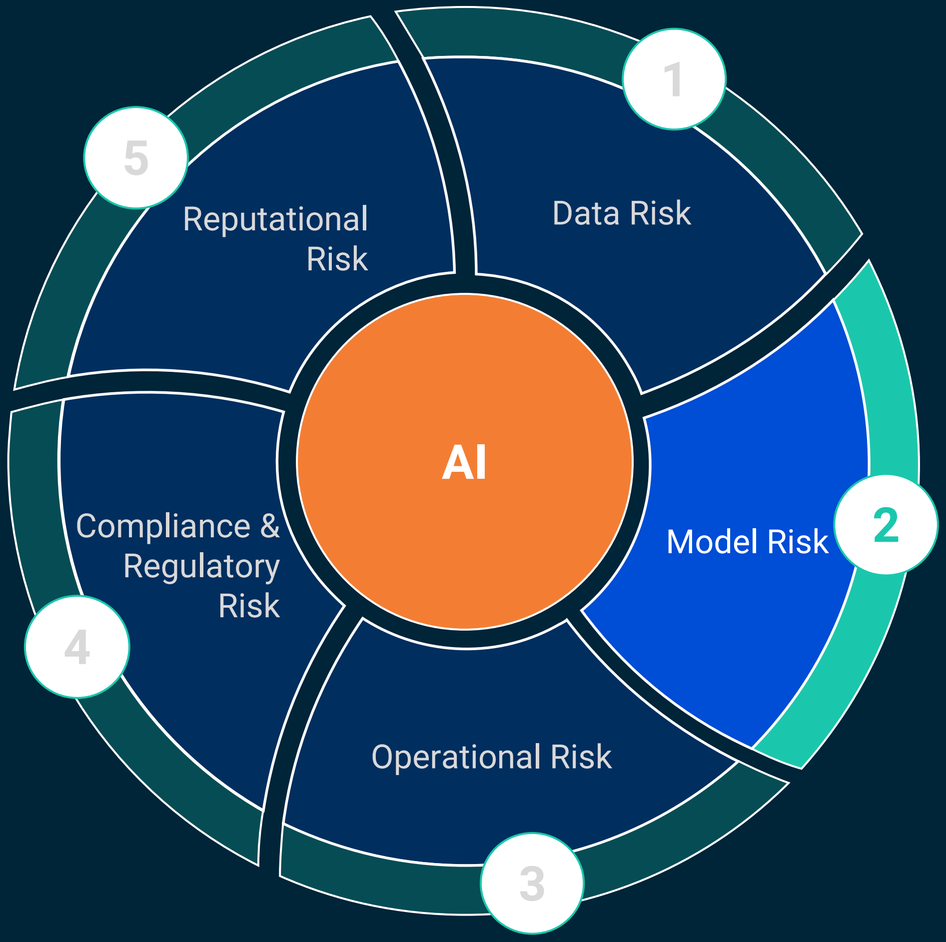


elliott davis

Key AI Risk Domains

Model Risk

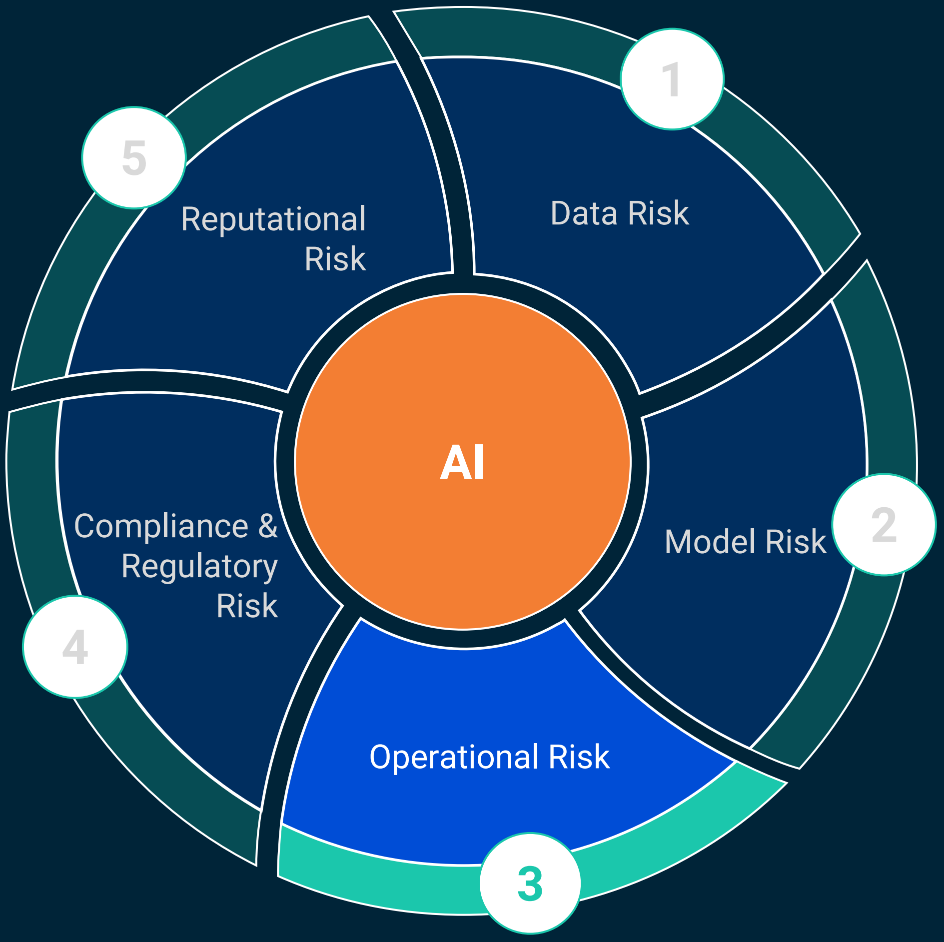
- Inaccurate or unreliable model outputs
- Lack of model transparency and monitoring



Key AI Risk Domains

Operational Risk

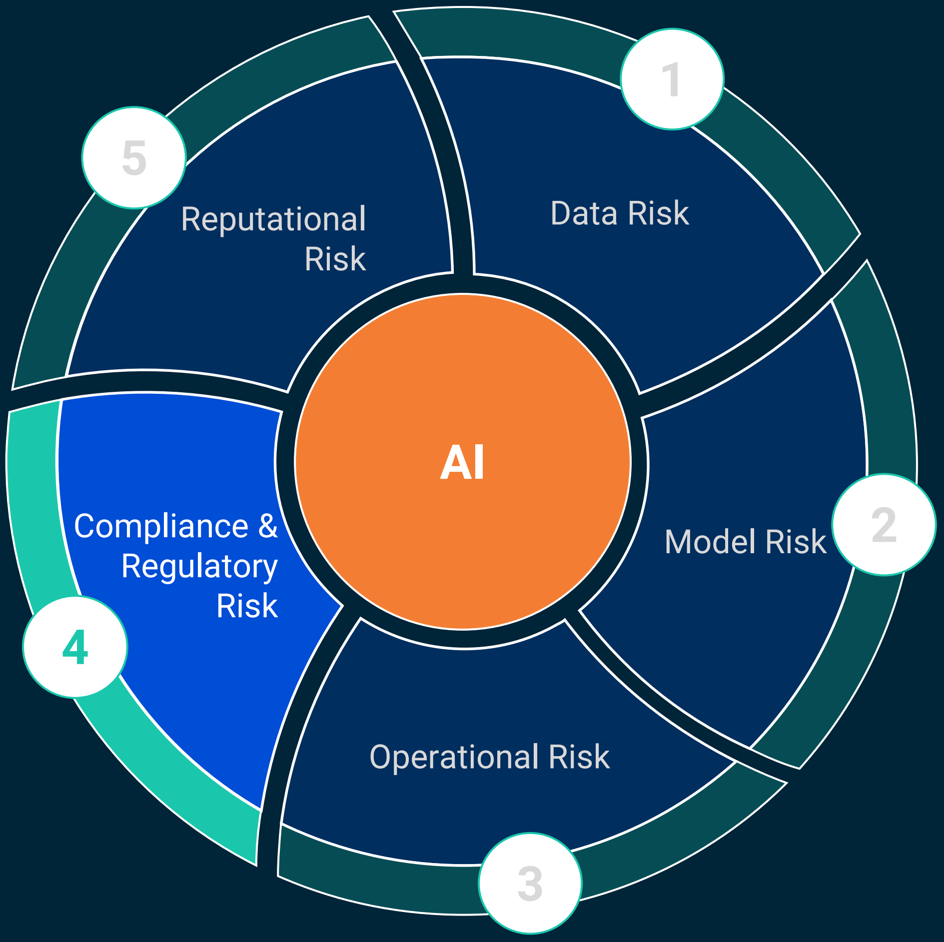
- Disruption to business processes and decision-making
- Weak oversight and ownership



Key AI Risk Domains

Compliance & Regulatory Risk

- Regulatory non-compliance and legal exposure
- Inability to demonstrate transparency and accountability

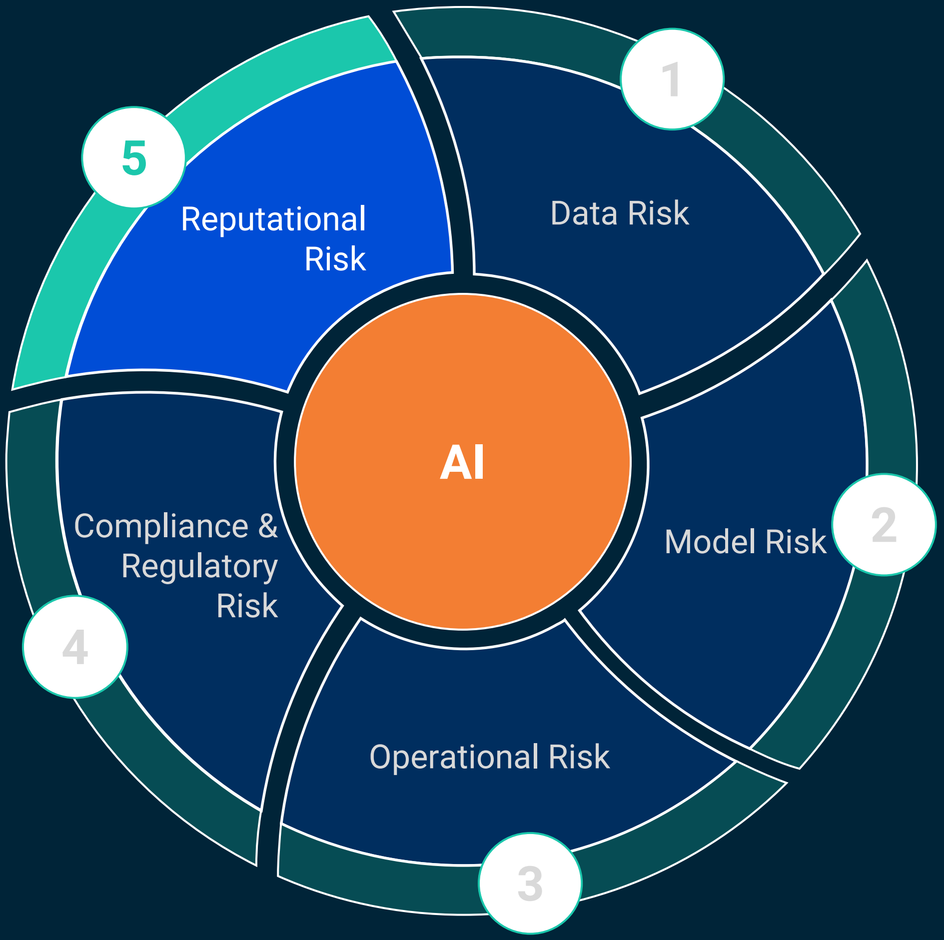


elliott davis

Key AI Risk Domains

Reputational Risk

- Damage to brand trust and reputation
- Loss of credibility due to poor governance



Risks in AI-Enabled Financial Controls Monitoring

Data Risks

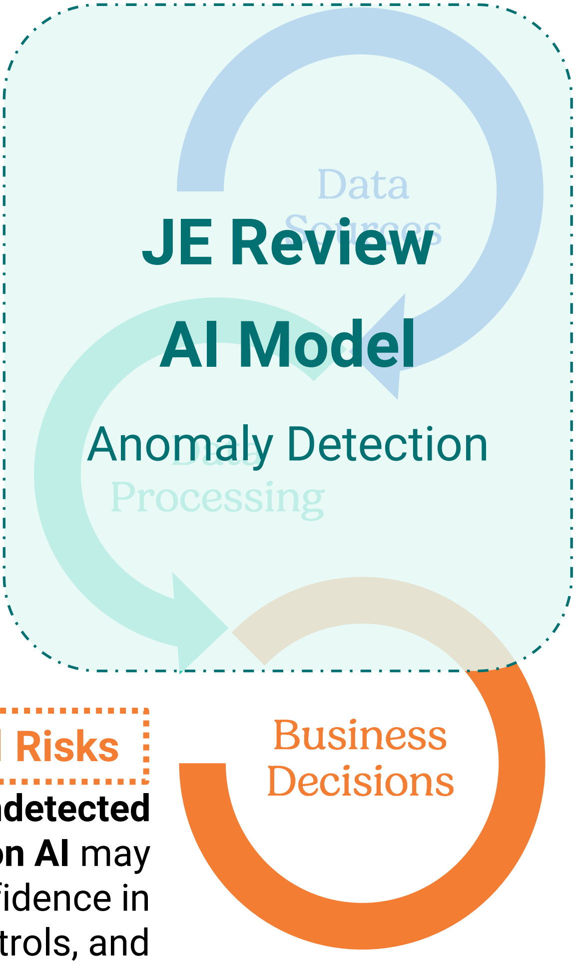
New access to critical financial data may **expose sensitive information** or result in **incomplete, inaccurate, or unauthorized data** being used by the AI model.

Compliance & Regulatory Risks

Use of AI **may not align** with **regulatory, audit, or internal policy requirements** if decisions are not adequately governed, documented, or explainable.

Reputational Risks

Incorrect outputs, **undetected issues, or overreliance on AI** may erode stakeholder confidence in financial reporting, controls, and decision-making.



Model Risks

The AI model may **incorrectly** identify normal journal entries as anomalies or **fail to detect high-risk entries** due to flawed assumptions, bias, or model drift.

Operational Risks

Breakdowns in data feeds, system integrations, model monitoring, or review processes may result in **inaccurate outputs** or **missed exceptions**.

So What Does This Mean for You?

Three questions worth sitting with.

01 **Do you know where AI is already influencing decisions in your control environment?**

02 **If an auditor asked you to explain how an AI-supported control works, could you?**

03 **If the model changed tomorrow, would anyone tell you?**

If any of these are hard to answer, you have unmapped risk in your control environment today.

polling question #2

AI Governance

AI Governance

Establishing **robust governance, oversight, and control frameworks** is critical to ensuring transparency, auditability, and accountability, enabling organizations to realize **AI's full value** while maintaining **reliable and sustainable performance.** Governance enables **TRUST.**

AI Governance supports organizations in answering the following questions:

- Who owns the AI solution?
- What risks does the AI create or impact?
- How are outputs validated and monitored?
- What controls are in place to ensure reliability and compliance?
- How do we demonstrate accountability and auditability?
- How do we ensure AI continues to operate as intended over time?
- If the model changes, will anyone know?

Governance Across the Value Path

ALIGNED TO NIST AI RMF · ISO/IEC 42001

FOUNDATION

01

Set

Data boundaries, risk thresholds, and decision rights.

NIST · GOVERN, MAP
ISO 42001 · POLICY & RISK

→

CAPACITY

02

Trace

Documented inputs, outputs, and quality checks.

NIST · MAP, MEASURE
ISO 42001 · DATA & LIFECYCLE

→

LEVERAGE

03

Guard

Agent guardrails, exception routing, human override.

NIST · MANAGE
ISO 42001 · OPS & OVERSIGHT

→

ADVANTAGE

04

Assure

Drift and autonomous decisions logged and auditable.

NIST · MEASURE, MANAGE
ISO 42001 · AUDIT & IMPROVE

Governance is the spine, not the brake.

AI Governance Pillars

Strategy & Policy

Intent, boundaries, and how AI decisions get made

Roles & Accountability

Each use case has a defined business, risk, and technical owner

Risk & Use Case Assessment

Understanding of risks; structured intake before anything gets built

Model Validation

Independent testing before deployment; documented assumptions

Monitoring & Oversight

Continuous performance checks, drift detection, escalation

Training & Awareness

Role-based fluency so people know when to challenge AI

Same Pillars. Different Emphasis at each part of the Path

The pillars do not change as you mature. What changes is which pillars carry the most weight.

FOUNDATION
Set

Get the substrate right before you deploy anything.

PILLARS CARRYING THE WEIGHT

- Strategy & Policy
- Roles & Accountability
- Training & Awareness

CAPACITY
Trace

Data, model, and operational controls per use case.

PILLARS CARRYING THE WEIGHT

- Risk & Use Case Assessment
- Model Validation
- Monitoring & Oversight

LEVERAGE
Guard

Process-level governance, agent guardrails, end-to-end ownership.

PILLARS CARRYING THE WEIGHT

- Roles & Accountability
- Monitoring & Oversight
- Model Validation

ADVANTAGE
Assure

Continuous assurance. Drift and decisions logged and auditable in real time.

PILLARS CARRYING THE WEIGHT

- Monitoring & Oversight
- Model Validation
- Governance across the board

Aligned to NIST AI RMF and ISO/IEC 42001.

Governance in AI-Enabled Financial Controls Monitoring

SET

STRATEGY & POLICY

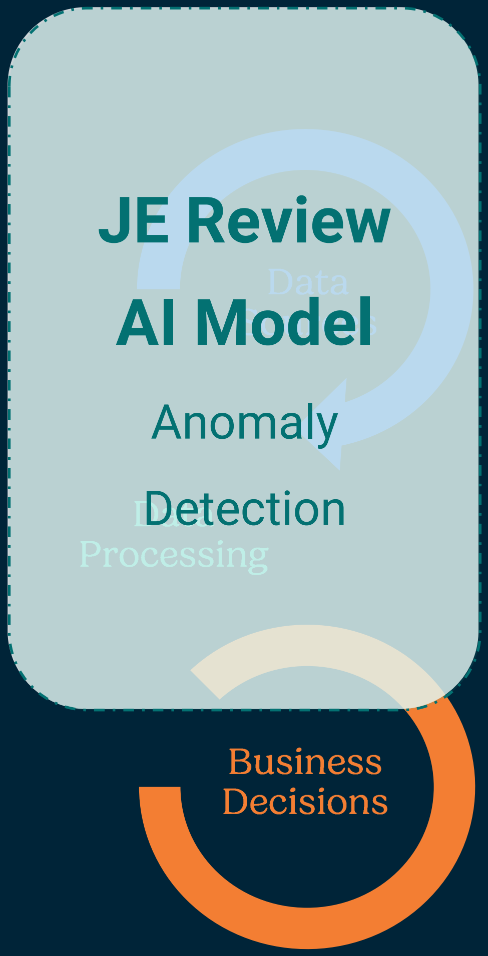
- AI use case aligned to the close process
- Documented policy on acceptable AI-supported controls

ROLES & ACCOUNTABILITY

- Controller owns the control
- Internal Audit owns validation
- IT owns the model

TRAINING & AWARENESS

- Reviewers trained on when to trust AI-flagged items and when to challenge them



TRACE

RISK & USE CASE ASSESSMENT

- Formal intake before AI was deployed
- Risks mapped against the existing RCM

MODEL VALIDATION

- Documented thresholds
- Tested against known anomalies
- Revalidated at a defined cadence

MONITORING & OVERSIGHT

- AI Governance Committee reviews model performance monthly
- Exceptions logged and reported

polling question #3

AI Controls: What Good Looks Like

AI Controls: What Good Looks Like

AI can significantly **enhance controls monitoring** by enabling deeper analysis, broader coverage, and more insightful decision making. Effective AI adoption depends on strong **data, model, operational, governance, and oversight controls** across the AI lifecycle.

- Applies Human Judgment
- Maintains Decision Accountability

- Protects sensitive data
- Ensures data quality
- Monitors data management

- Ensures Reliable Performance
- Monitors Model Effectiveness

- Monitors AI Risk
- Establishes Accountability
- Manages Regulatory Compliance

- Ensures Reliable Operations
- Resolves Issues Timely

Controls in AI-Enabled Financial Controls Monitoring

Data Controls

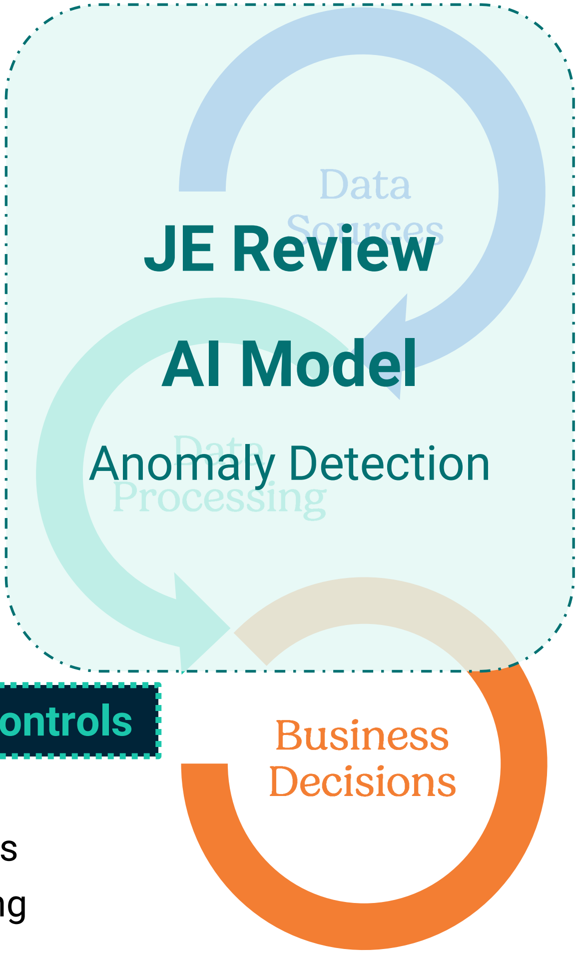
- Restricted access
- Data validation
- Data lineage & ownership

Governance & Compliance Controls

- Use case approval
- Risk assessment
- AI governance and board oversight

Oversight & Review Controls

- Human review
- Escalation procedures
- Management reporting



Model Controls

- Independent validation
- Documented assumptions
- Performance monitoring

Operational Controls

- System monitoring
- Change management
- Exception management

Common Pitfalls

Common Pitfalls

I don't have to worry about AI governance. I'm just an end user.

Who owns this? Surely not me!

What's wrong with my AI output?

I don't have to worry about AI. I have vendors for that.

We talked about it...

polling question #4

AI Governance Next Steps

AI Value Path and Governance Next Steps

Where you are on the AI Value Path shapes your governance next steps. Here's how.

FOUNDATION

WHAT IT LOOKS LIKE

Aligning leadership, building fluency, setting policy.

GOVERNANCE FOCUS: SET

Get the substrate right before you deploy anything.

CAPACITY

WHAT IT LOOKS LIKE

Point workflows using AI, like today's JE example.

GOVERNANCE FOCUS: TRACE

Data, model, and operational controls per use case.

LEVERAGE

WHAT IT LOOKS LIKE

Redesigned cross-functional processes.

GOVERNANCE FOCUS: GUARD

Process-level governance; agent guardrails; end-to-end ownership.

ADVANTAGE

WHAT IT LOOKS LIKE

AI-enabled differentiation, autonomous capability.

GOVERNANCE FOCUS: ASSURE

Continuous assurance; drift and decisions auditable in real time.

Three Questions to Ask Your Team Next Week

01

Where is AI already in our environment?

Not just what we bought — what tools our people are using, what vendors have embedded AI in their platforms.

02

Who owns each of those AI use cases?

Business owner, risk owner, technical owner — named, documented.

03

What's our first move on Foundation?

Policy? Inventory? Governance committee? Fluency? Pick one and start.

You don’t need to have this figured out. You need to know where you’ll start.

Thank you

LAUREN NILAN

Principal
Lauren.Nilan@elliottdavis.com

LORI AXON

Director
Lori.Axon@elliottdavis.com

CIBELE ROCHA DA MOTTA

Manager
Cibele.RochaDaMotta@elliottdavis.com

replay link:

A replay link will be emailed to you in the coming weeks.
A copy of the slides presented today will also be made available at that time.

feedback welcomed:

We welcome and appreciate your feedback with the goal of always getting better.

upcoming events & insights:

Please visit elliottdavis.com/insights to view upcoming webinars, events, and additional insights.

upcoming events

Sign up to be notified when registration opens:
elliottdavis.com/stay-in-touch

- BSA & Regulatory Compliance Roundtable
- Financial Services Group Quarterly Accounting and Reporting Update
- Credit in Agricultural Lending Webinar
- Financial Services Group Risk Management, Compliance, & Internal Audit Forum
- Financial Services Group Finance, Accounting, & Strategy Forum
- Manufacturing & Distribution Symposium

elliott davis

thank you

“Elliott Davis" is the brand name under which Elliott Davis, LLC or PLLC and Elliott Davis Advisory, LLC and its subsidiary entities provide professional services. Elliott Davis, LLC or PLLC and Elliott Davis Advisory, LLC (and its subsidiary entities) practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. Elliott Davis, LLC or PLLC is a licensed independent CPA firm that provides attest services to its customers. Elliott Davis Advisory, LLC and its subsidiary entities provide tax and business consulting services to their customers. Elliott Davis Advisory, LLC and its subsidiary entities are not licensed CPA firms. The entities falling under the Elliott Davis brand are each individual firms that are separate legal and independently owned entities and are not responsible or liable for the services and/or products provided by any other entity providing services and/or products under the Elliott Davis brand. Our use of the terms “our firm” and “we” and “us” and terms of similar import, denote the alternative practice structure conducted by Elliott Davis, LLC or PLLC and Elliott Davis Advisory, LLC.

elliott davis