

Introduction to the GenAI Governance Framework

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Agenda

1. Technology ecosystem
2. Current & emerging use cases
3. What's different about GenAI?
4. GenAI governance framework overview
5. Adopting the GenAI framework
6. Common GenAI challenges



About Connor Group



Connor Group is known for our team of highly experienced professionals. We help companies with their most complex and significant financial matters. We are hired by finance and accounting executives who understand the importance of leveraging their time as well as having a partner that can successfully execute their needs.



Connor Group is a specialized professional services firm comprised of Big 4 alumni and industry executives.



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- Transformation & Risk



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Connor Group has served 1,300+ high-growth clients globally in the software, technology, and biotech industries.



Connor Group has been #1 in IPO market share in the Bay Area for over a decade.



500+

Professionals



240

IPOs since inception

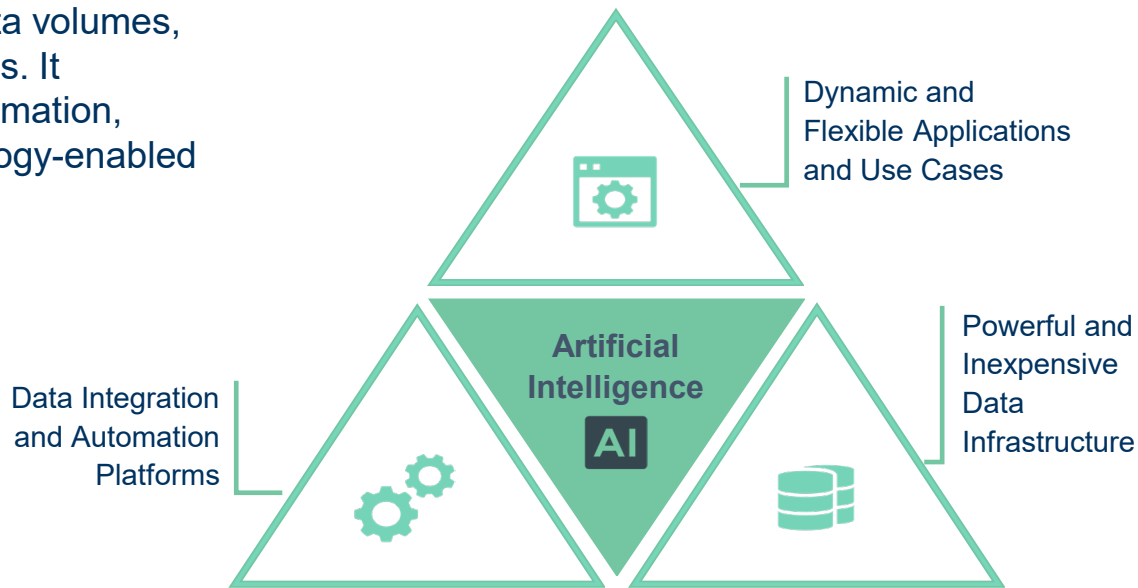


1,300+

Clients globally

AI: Enabling New Advances in Automation

AI fills long-standing gaps in automation: managing unstructured data, large data volumes, and the variability of inputs and outputs. It facilitates a major leap forward in automation, creating new opportunities for technology-enabled growth, scalability, and cost savings.



Generative AI refers to a type of artificial intelligence that can create new content or data, such as text or images by learning patterns from existing data. It uses powerful algorithms and language models to generate outputs that mimic human-like creativity and problem-solving abilities.

AI Videos 2023 vs. 2024



Poll Question 1:

How knowledgeable are you on the topic of AI in finance and accounting?

- a. **Very knowledgeable** – have received extensive training and use AI very frequently
- b. **Knowledgeable** – have received a moderate amount of training and use AI frequently
- c. **Somewhat knowledgeable** – have received some basic education on AI and use AI infrequently
- d. **Limited knowledge** – have very limited exposure or training on AI
- e. **No knowledge** – have no exposure, training, or knowledge of AI whatsoever

Poll Question 1 Results: (Placeholder)

Current & Emerging GenAI Use Cases

Treasury & Tax

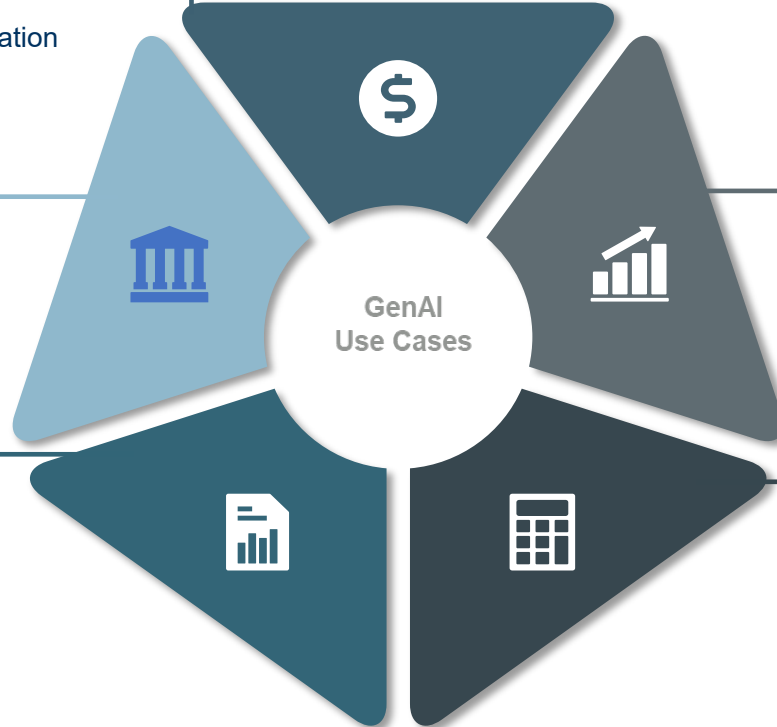
- Debt covenant monitoring & reporting
- Bank account data entry
- Multi-system company name validation
- Tax report processing

Procure to Pay

- Invoice processing and coding
- PO matching (2/3-way)
- Payment analytics
- Vendor set-up

Revenue Accounting

- ASC 606 revenue/contract compliance
- Order management
- Contract reviews
- Data comparisons / error detection



Reporting, Analytics, & Compliance

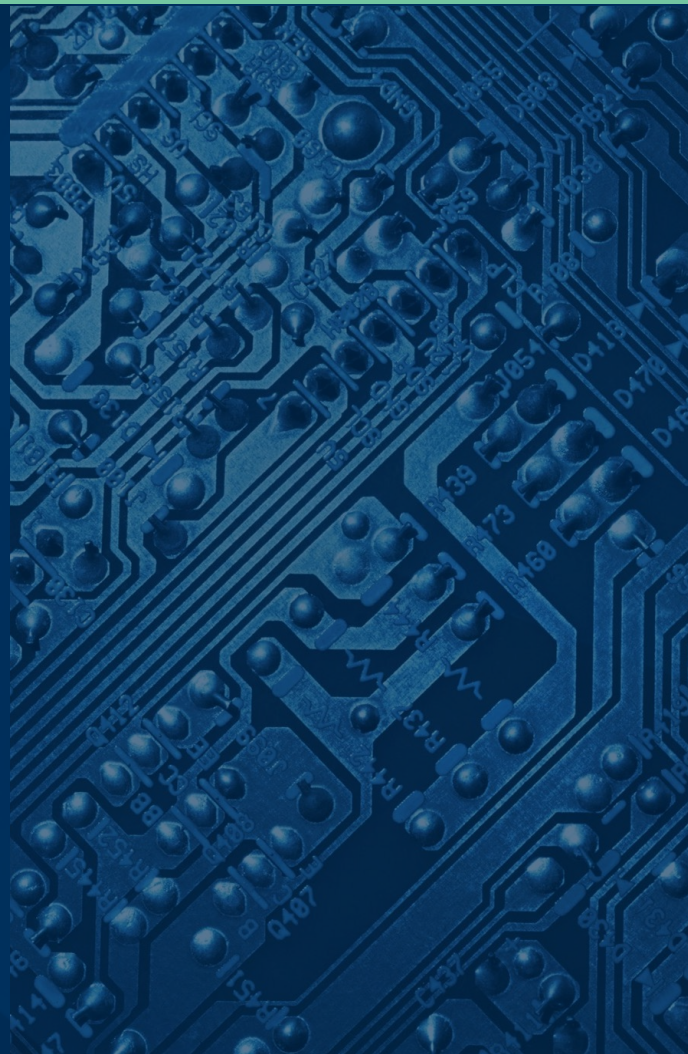
- Summarize documents & reports
- Dynamic chat with analytics
- Flux and trend analysis
- Document management
- Query financial systems
- Controls testing (emerging)

Technical Accounting

- Commitment & contingency footnote tie out
- ASC 842 assurance
- Monthly PO accruals
- GAAP/SEC research
- Memo writing (emerging)

What's Different about GenAI?

- Uses and collects huge volumes of data
- Performs “judgmental” type tasks
- Is ever evolving, improving, and changing
- Limited transparency – data & decisions
- Outcomes may be inconsistent or wrong



Poll Question 2:

Have you or your company started adopting GenAI technology?

- a. Yes, have already implemented some useful AI technologies
- b. Yes, but only implemented some simple AI tools (e.g., ChatGPT)
- c. No, but started to develop adoption plans
- d. No, and do not have any specific plans at this stage

Poll Question 2 Results: (Placeholder)

GenAI Governance Framework

- **Purpose:** Help organizations harness the power of GenAI while appropriately managing its risks.
 - More than **1,000 practitioners and academics** contributed to the development of the framework:
 - AI specialists
 - Internal and external auditors
 - Regulators
 - Audit committee members
 - C-suite executives, and others
 - GenAI Framework is endorsed by members of COSO and the European IIA



GenAI Governance Framework

Operational and Technology Management

- Integrate AI into operational processes.
- Manage AI technology and IT security.

Data and Compliance Management

- Establish processes for identifying, assessing, and mitigating data-related risks.
- Ensure compliance with legal and regulatory standards.

Strategic Alignment and Control Environment

- Align AI initiatives with organizational goals, strategies, and risk appetite/tolerance.
- Develop comprehensive AI governance policies.

Transparency, Accountability, and Continuous Improvement

- Ensure transparent and traceable AI decision-making.
- Monitor evolution of AI and update governance practices.

Human, Ethical, and Social Considerations

- Conduct AI training and manage human resource risks.
- Ensure ethical AI use that mitigates bias.
- Assess and manage reputational and social impacts.
- Assess and manage environmental impacts.



Governance Framework Example

Risk Area

Risk Area

Control Considerations

Key Control Considerations for Mitigating GenAI Risks

Strategic Alignment and Control Environment

Strategic and Planning Risks and Control Consideration

RISKS

This risk category addresses the risks of not aligning GenAI initiatives with long-term organizational goals.

CONTROL CONSIDERATIONS

GenAI Risk Management Framework	Develop a framework for governing GenAI risk. The framework should integrate with or update other frameworks (e.g., COSO Internal Control – Integrated Framework, COSO Enterprise Risk Management framework, COBIT).
Strategic GenAI Roadmap	Develop a strategic roadmap with cross-functional buy-in for GenAI integration that aligns with organizational goals.
Regular Strategy Review	Establish a regular review process to align GenAI initiatives with evolving organizational strategies.
Stakeholder Engagement	Involve key stakeholders in GenAI project planning to ensure alignment with business objectives and risk appetite.
Performance Monitoring	Set up metrics and key-performance indicators (KPIs) to measure the effectiveness of GenAI initiatives in achieving strategic goals. Also, monitor changes in GenAI capabilities to confirm they continue to align with strategic objectives.
Contingency Planning	Develop contingency plans for GenAI projects to manage unexpected outcomes or changes in strategic direction.
Scenario Planning and Forecasting	Implement scenario planning for GenAI initiatives to anticipate and prepare for potential unexpected events.

Poll Question 3:

Which domain do you see as having the most impact on your organization (i.e., if risks occur which would be most impactful)?

- a. Strategic Alignment and Control Environment
- b. Operational and Technology Management
- c. Data and Compliance Management
- d. Transparency, Accountability, and Continuous Improvement
- e. Human, Ethical, and Social Considerations

Poll Question 3 Results: (Placeholder)

GenAI Governance Framework Maturity Model

- This is a tool developed to enhance the utility of the GenAI Governance Framework by:
 - **Evaluating current governance practices**
 - **Identifying areas for improvement**
 - **Strategically planning for future enhancements**
- Tailored for each domain and the related control considerations from the framework
- Assess maturity levels across control considerations
- Benchmark against peer organizations

Maturity Model

CONTROL CONSIDERATIONS	MATURITY NASCENT	MATURITY EMERGING	MATURITY ESTABLISHED	MATURITY LEADING
Standard Operating Procedures (SOPs) for GenAI Use	No SOPs for AI use; AI applications deployed without clear guidelines or processes.	Basic SOPs developed but may not be fully comprehensive or consistently applied.	Detailed SOPs in place, generally followed with minor inconsistencies.	Comprehensive SOPs for AI use are developed, implemented, and consistently followed across all AI applications.
GenAI Performance Monitoring	AI performance is not monitored or is done sporadically; lack of insight into AI application effectiveness.	Periodic AI performance monitoring; limited systems in place for evaluation.	Consistent AI performance monitoring with substantial systems for evaluation.	Regular and systematic AI performance monitoring with advanced systems to evaluate effectiveness comprehensively.
Validation and Testing Protocols	Minimal or no validation and testing of AI applications; deployment without stakeholder approval.	Some validation and testing protocols exist but may not be rigorous or fully approved by stakeholders.	Validation and testing protocols well-established, with broad stakeholder approval.	Rigorous validation and testing protocols in place, with full stakeholder approval before AI deployment.
Change Management Procedures	No formal change management procedures for AI; significant operational disruptions during AI implementation.	Basic change management procedures in place but may not fully minimize operational disruptions.	Structured change management procedures minimizing operational disruptions.	Effective change management procedures developed and implemented to ensure minimal operational disruption during AI changes.

See full maturity model at: <https://www.genai.global/solutions/maturity>

Adopting the GenAI Governance Framework

Scoping and Objective Setting



Objectives & Goals

Define objectives and goals aligned with:

- Corporate objectives & strategy
- Stakeholder expectations
- Compliance and regulatory requirements
- Level of AI adoption and maturity
- Resource availability
- Budgetary constraints



Scoping

Scope considerations:

- Priority **Domains** in the governance framework
- **Key Risks** within each category to focus on
- **Functions** in-scope (e.g., department, BU)
- **Processes, projects, and technologies** which may be of greater concern
- **Stakeholders** to be involved
- **Company specific** concerns or risks



Expected Outcomes

Benefits can include:

- Establish AI Governance Leadership
- Enhance Overall Risk Management
- Drive Strategic Improvement and Compliance
- Secure Stakeholder Engagement
- Achieve Quick, Impactful Results
- Benchmark for Continuous Improvement

Note: We are seeing that no 1-person has a complete view and ownership over AI. We expect involvement from Internal Audit, Legal, IT, while other functions may participate based on assessment scope/risk.

Poll Question 4:

Which domain do you see as having the greatest likelihood (i.e., the risks are most likely to occur)?

- a. Strategic Alignment and Control Environment
- b. Operational and Technology Management
- c. Data and Compliance Management
- d. Transparency, Accountability, and Continuous Improvement
- e. Human, Ethical, and Social Considerations

Poll Question 4 Results: (Placeholder)

GenAI Risk Assessment Approach

Planning & Preparation

- Develop objectives and scope objectives with project sponsor
- Identify stakeholders and conduct a kick-off
- Gather documentation and confirm timelines and schedule meetings

- **Deliverable:** Project kick-off and Plan

Data Collection & Review

- Review survey results and relevant documentation (e.g., policies, strategy documents)
- Conduct workshop with relevant leadership

- **Deliverable:** Survey results & benchmarking

Risk Assessment & Prioritization

- Benchmark organization's existing AI landscape against AI Governance Framework
- Identify unmitigated risks
- Prioritize risks using working sessions

- **Deliverable:** Summary of prioritized unmitigated risks

Recommendations & Roadmap

- Propose actionable mitigation strategies for high priority unmitigated risks
- Develop an implementation roadmap and timeline

- **Deliverable:** Prioritized recommendations and roadmap

Report Results

- Prepare executive summary report
- Review with relevant key stakeholders
- Align on go-forward plans and next steps

- **Deliverable:** Final executive report

Common GenAI Challenges

- Misalignment with business strategies and goals
- Reliability and accuracy of outcomes
- Data access, privacy, and confidentiality
- Legal and regulatory compliance
- Integrating AI technologies with existing tech-stack
- Technical skills and capabilities



Questions and Answers



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[CG's AI & Automation landing page](#)



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[GenAI Governance landing page](#)

Thank you!

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