

# How State and Local Governments Can Prepare for an AI-Driven Future



From virtual assistants and customer service chatbots to content recommendation engines and self-service applications, artificial intelligence (AI) is prevalent in the public sector. State and local governments increasingly use solutions embedded with AI to serve constituents and streamline their work.

The advent of generative AI has introduced incredible opportunities — as well as new risks.

In this Q&A, [Rob Breakiron](#), a managing director in KPMG's technology advisory practice, and [Kelly Combs](#), managing director of KPMG's Responsible AI in KPMG's technology advisory practice, share how state and local governments can safely leverage generative AI to achieve their mission and better serve the public.

## What is generative AI, and why is it such a hot topic?

**Combs:** Generative AI is a large language model or a chat function in front of unsupervised and supervised models that are trained on large public datasets. With generative AI, you don't have to be a data scientist to interact with, understand and interpret the outcome that is being determined by AI models. The practical application of this technology is moving a lot faster than anyone expected, and many organizations are not hesitating to get started now.

## What governance, safety and trust concerns are there around generative AI?

**Combs:** Generative AI is typically AI embedded into a third-party service or AI-as-a-service. Traditionally, the focus has been on governing AI within an organization that is built in house with data scientists rather than AI that is provided through third parties or as a service.

The rise of generative AI increases security concerns. When an organization uses AI-as-a-service through an application programming interface (API), there are implications around how to secure that API and the data it transfers. Contractual obligations are another consideration. Who owns the intellectual property and who owns the copyright? Is the content digitally watermarked so we know it was created by generative AI? Do we have rights to audit the third-party service provider? Questions like these are still being figured out despite the technology capabilities already being available.

Generative AI is trained on a broad set of data, so it's more generalized in nature. As a result, the outcomes produced

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by generative AI can be varied or inaccurate, or allow for different responses depending on how it is originally prompted. Organizations need processes and policies for how they interpret the output from generative AI and how they use it to augment decision-making. It's important to have humans in the loop to review the output for accuracy, apply the output appropriately and ultimately be accountable for the outcome.

### What are the implications from a regulatory, workforce and equity perspective?

**Breakiron:** From a regulatory standpoint, there are data protection, privacy, intellectual property and misinformation issues.

Workforce is also top of mind. Many employees will need to be reskilled. There will be displacement of certain roles as well as new AI-related jobs, such as a prompt engineer.

With equity, there are continued ongoing concerns about the potential bias and discrimination AI models may create. Ensuring fairness of outcomes is still a focus area, including how to carefully examine the data used, assumptions around the algorithm design, and how outcomes may change or skew over time.

Generative AI could also widen gaps in digital equity. It's critical to think about accessibility and meeting the diverse needs of different user groups, such as people with disabilities or those who speak different languages.

### What does responsible AI look like, particularly in government?

**Combs:** Everything must be risk-rated based on the data you're using and the problem you're trying to solve. Governance principles — whether it's fairness, explainability, data integrity, resiliency or security — must be aligned with the risk and the intended purpose of the data that's being used, the business problem and the use of the output.

### How can agencies make sure vendors are following responsible AI practices?

**Combs:** With AI-driven solutions, you can configure the development process and workflow for validations and checks on fairness or what data attributes contributed to the outcome. This helps provide explainability and transparency into how a decision was made, what data was used and what methods were applied to mitigate risk during the development lifecycle of AI.

Agencies should also work with vendors who provide tooling that allows organizations to monitor, manage and mitigate their risks as they build their AI technology stack.

### What strategies can help reduce or eliminate AI bias?

**Combs:** We currently don't have complete visibility into the techniques deployed for AI to assess imbalances or potential bias in the data set and how the algorithms are trained when receiving AI-as-a-service. We are seeing organizations perform validation testing on the outcome side. Even if you don't have access to the training data or the source code of the algorithms, an organization can perform outcome validation and work with the vendor through the contracting process to gain visibility and make sure the outcomes aren't skewed or biased.

This area will evolve as these services mature. Eventually, we will likely see an attestation standard where service providers must give assurance of how they've trained and built their service.

**Breakiron:** Diverse and inclusive data sets are incredibly important. Organizations also need to look at the outcomes of AI models, test for bias, and use any tools their vendors provide or they already have to interrogate the source of the data.

You must also keep a human in the feedback loop, share information with the public and encourage them to participate.

### What does AI governance look like when it's optimized?

**Combs:** You need to have roles and responsibilities defined across the AI development lifecycle, including validation controls and risk and monitoring metrics for higher-risk AI use cases. Organizations also need automated tooling for ongoing monitoring and to increase accountability and transparency.

**Breakiron:** Implement practices that encourage system transparency by explaining the inner workings of AI as much as you can. Citing data sources in the decision-making process and any limitations of what it didn't include is important. Governments must also build an AI-literate workforce. This is not going to be a fad. It's going to be part of our everyday lives.



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