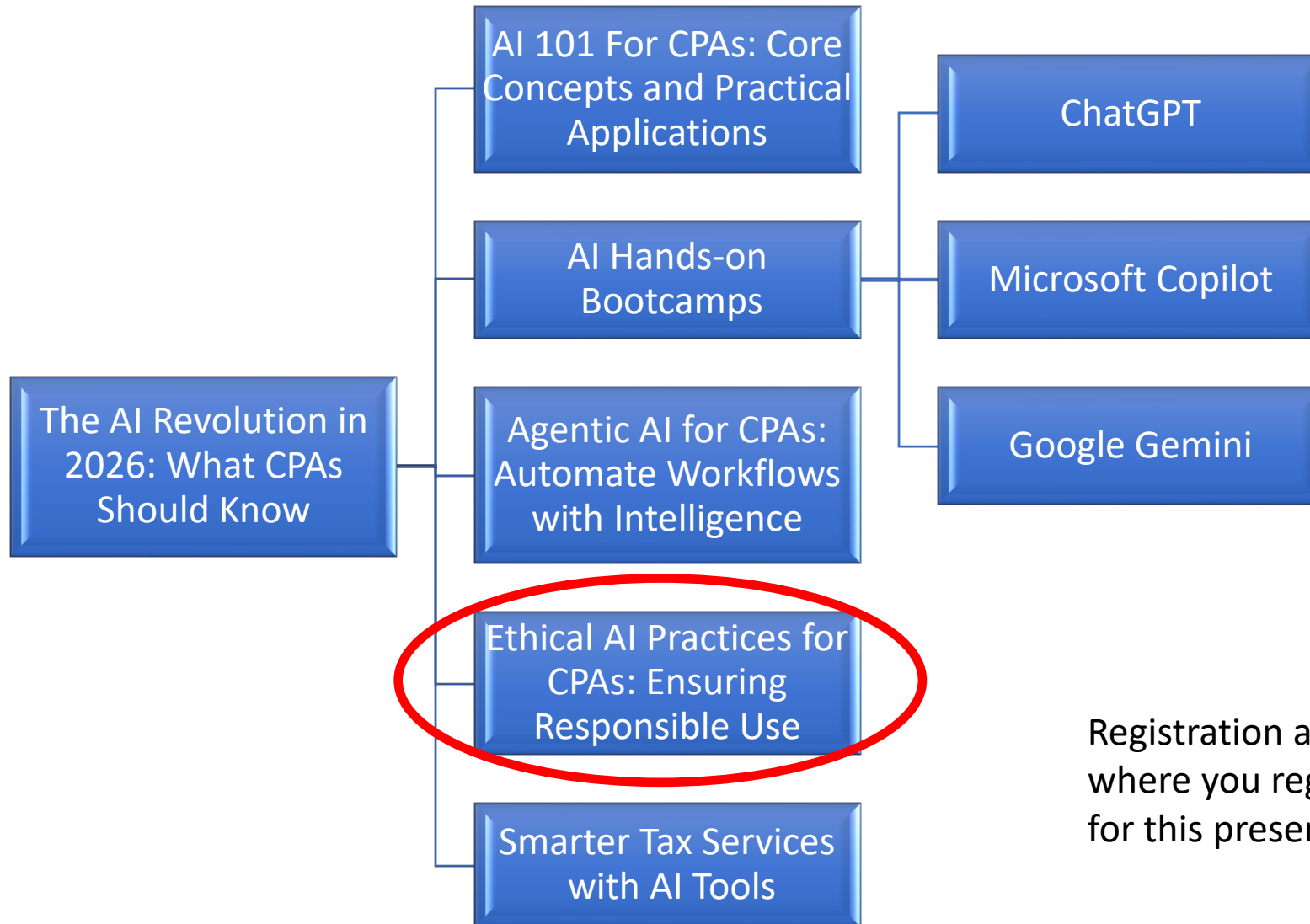


Ethical AI Practices for CPAs: Ensuring Responsible Use



Presented By
John H. Higgins, CPA.CITP
Rochester, Michigan

2026 Higgins Advisory AI Curriculum



Registration available where you registered for this presentation

Learning Goals



- Recognize the ethical dilemmas and risks associated with AI applications that exist
- Identify practical guidelines for ensuring ethical use and minimizing the risks

Presentation Outline

- Understanding ethical implications of using AI
- AI ethical implications and risks and how to mitigate them
- Wrap-up

UNDERSTANDING ETHICAL IMPLICATIONS OF USING AI



PRIVACY



ACCOUNTABILITY



FAIRNESS



SAFETY & RELIABILITY



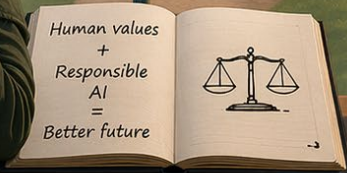
TRANSPARENCY



HUMAN WELL-BEING



INNOVATION
RESPONSIBILITY



“The new spring in AI is the most significant development in computing in my lifetime. Every month, there are stunning new applications and transformative new techniques. But such powerful tools also bring with them new questions and responsibilities.”

Sergey Brin

Co-founder Google

“The most important thing to know about AI, it is the first technology in history that can make decisions by itself and can create new ideas by itself.”

Yuval Noah Harari
Best Selling Author – Sapiens

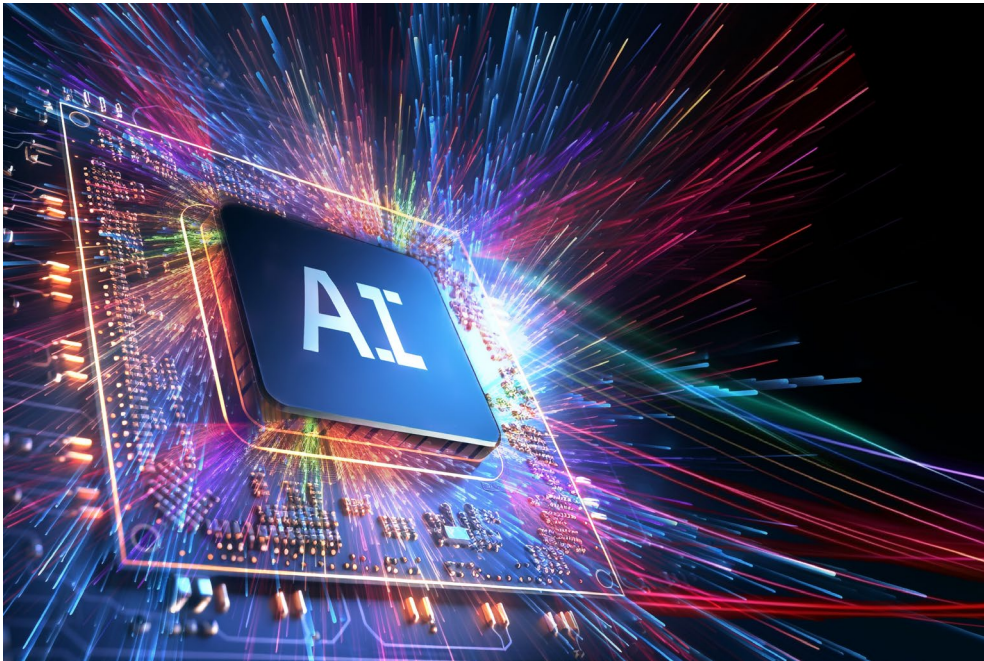
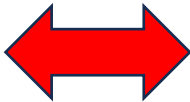
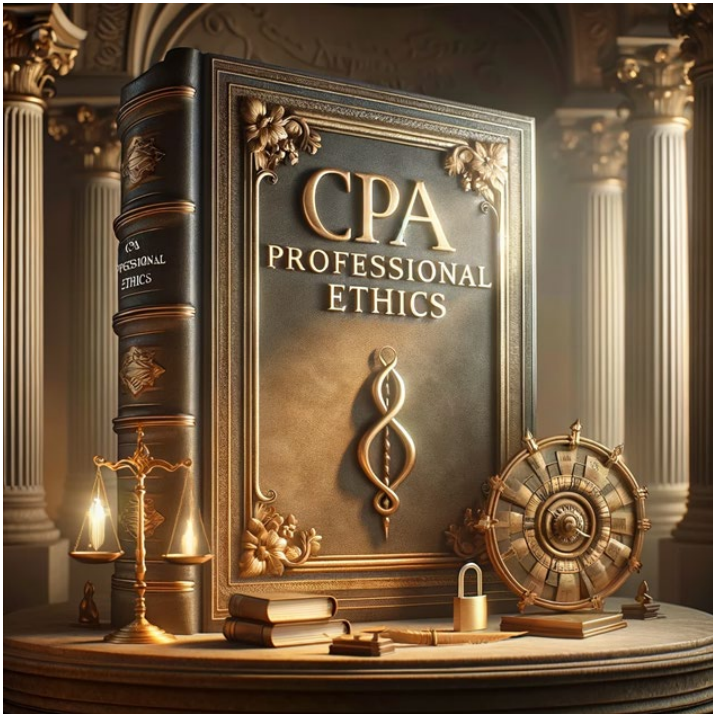
“ . . . And can take actions by itself”

John Higgins, CPA

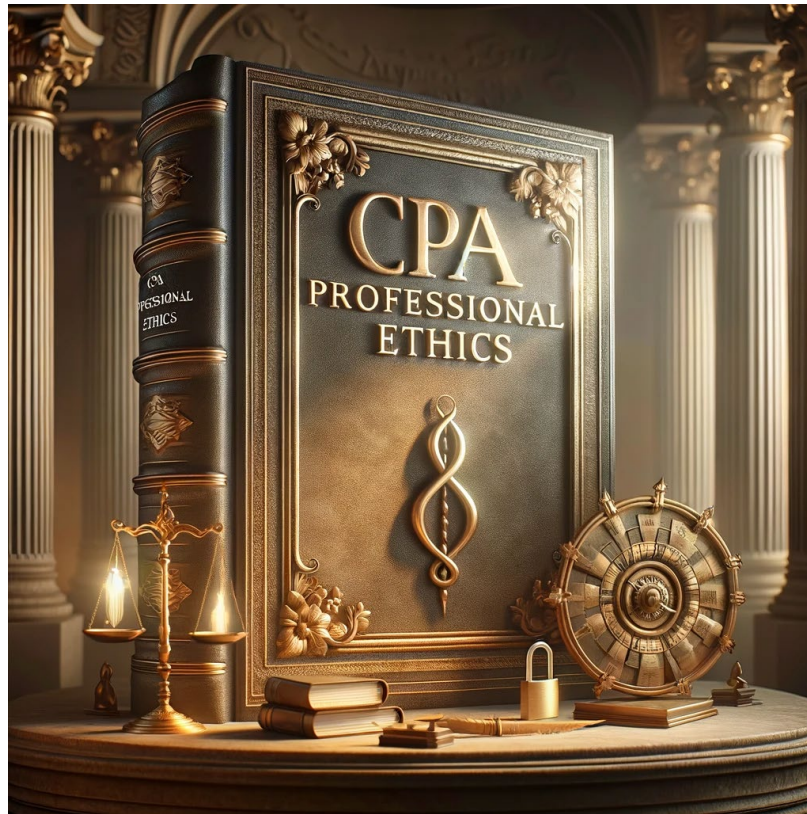
The Key Ethical Dilemmas . . .

- Is my private data private in AI?
- Is my AI output accurate?
- Is my AI output authentic?
- Is my AI content discoverable in litigation?
- Is my AI usage and content auditable?
- Is my AI output in copyright violation?

AICPA Code of Conduct and AI



REVIEW OF THE CPA PROFESSIONAL ETHICS FRAMEWORK



Key Principles of Professional Conduct

- Act in the public interest
- Integrity
- Objectivity and Independence
- Due care



AICPA Code of Conduct
Full Text

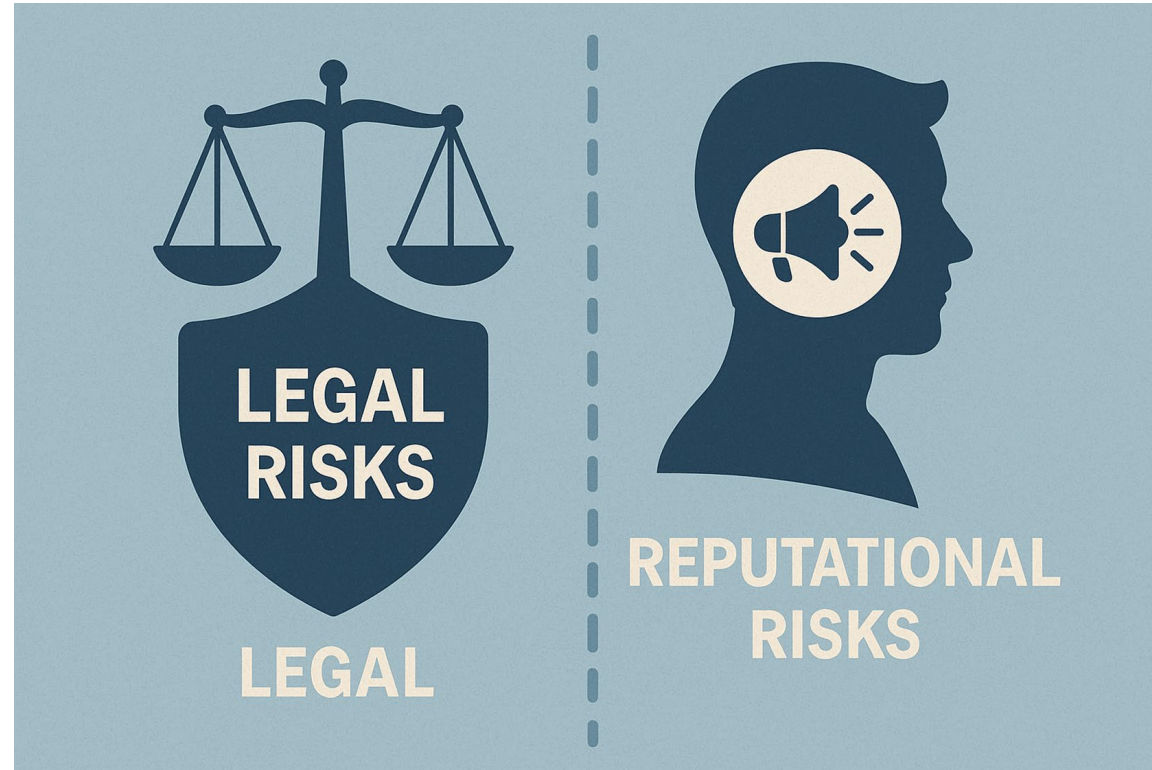


ChatGPT Summary
with AI

Additional Regulatory Entities to Consider

- State Board of Accountancy
- Federal, State, Local Government
- SEC (Securities and Exchange Commission)
- PCAOB (Public Company Accounting Oversight Board)
- DOL (Department of Labor)
- GAO (Government Accountability Office)

AI Ethical Implications and Risks and How to Mitigate Them



A Simple Generative AI Example

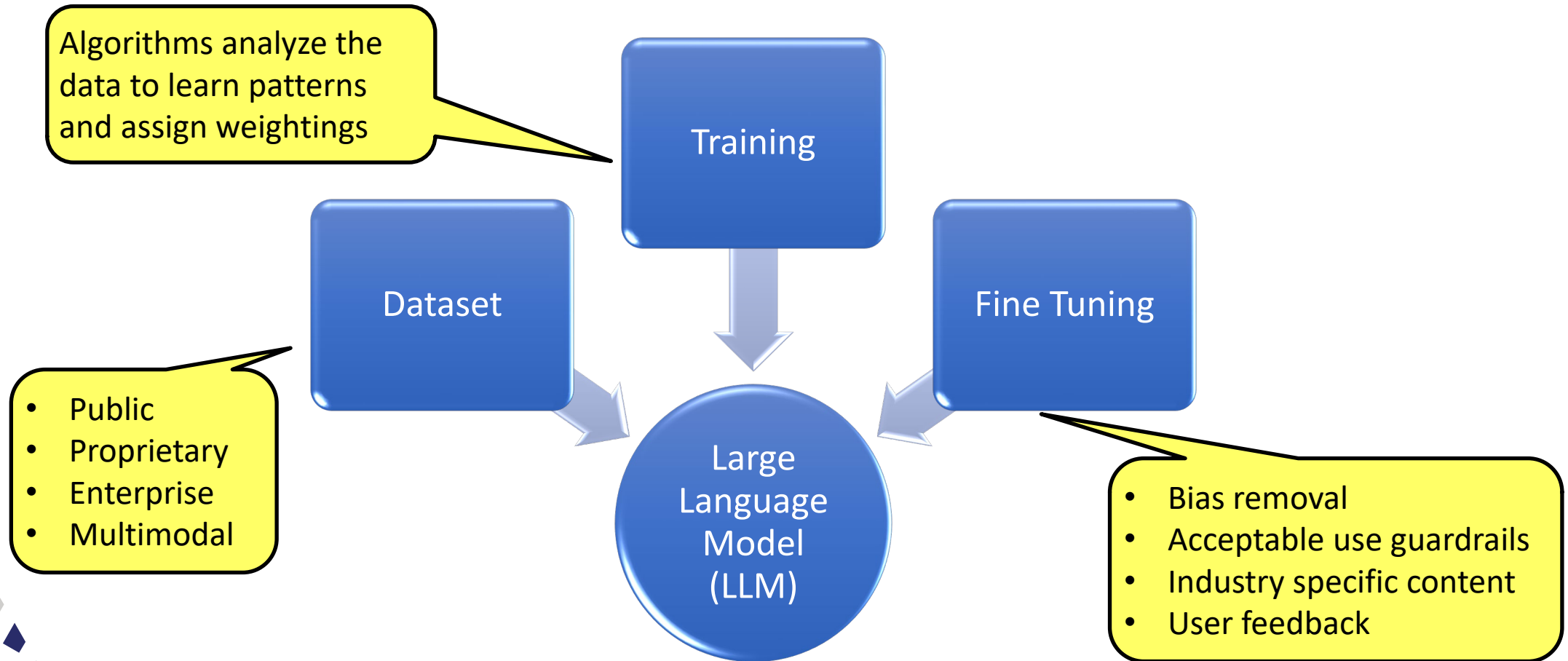
- ***Prompt:*** What is AGI?
- ***Response:*** AGI stands for Artificial General Intelligence.
- ***Prompt:*** In the context of income taxes.
- ***Response:*** In the context of *income taxes*, AGI refers to *Adjusted Gross Income*.



GPT – Generative Pre-trained Transformer

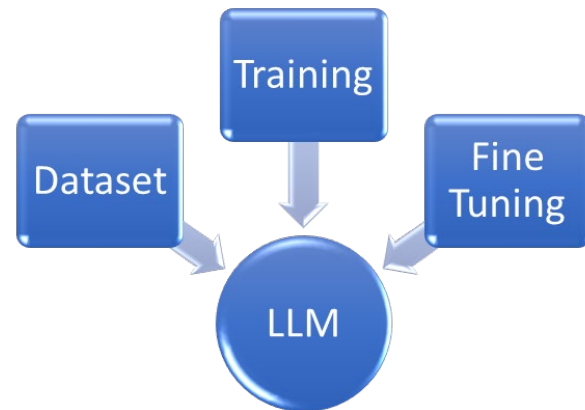


Large Language Model (LLM) & AI Risks



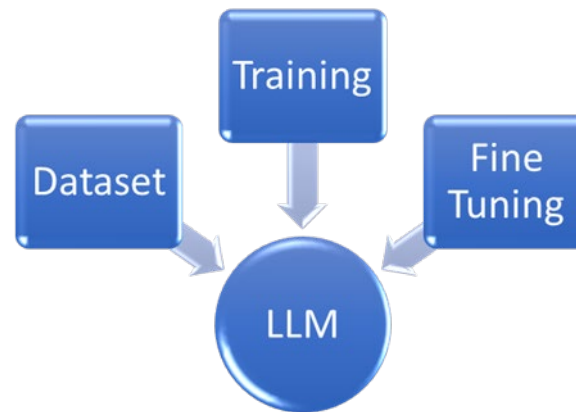
LLM Source Data Ethical Risks

- AI model developer determines the source data
- Source data will have inherent biases
- Source data may have copyright protection



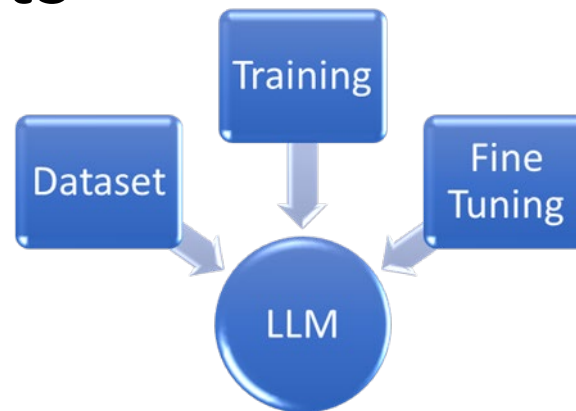
LLM Training Algorithm Ethical Risks

- AI application developer defines the algorithms that train the data
- Different weightings can be assigned to different classifications of data to remove / embed biases

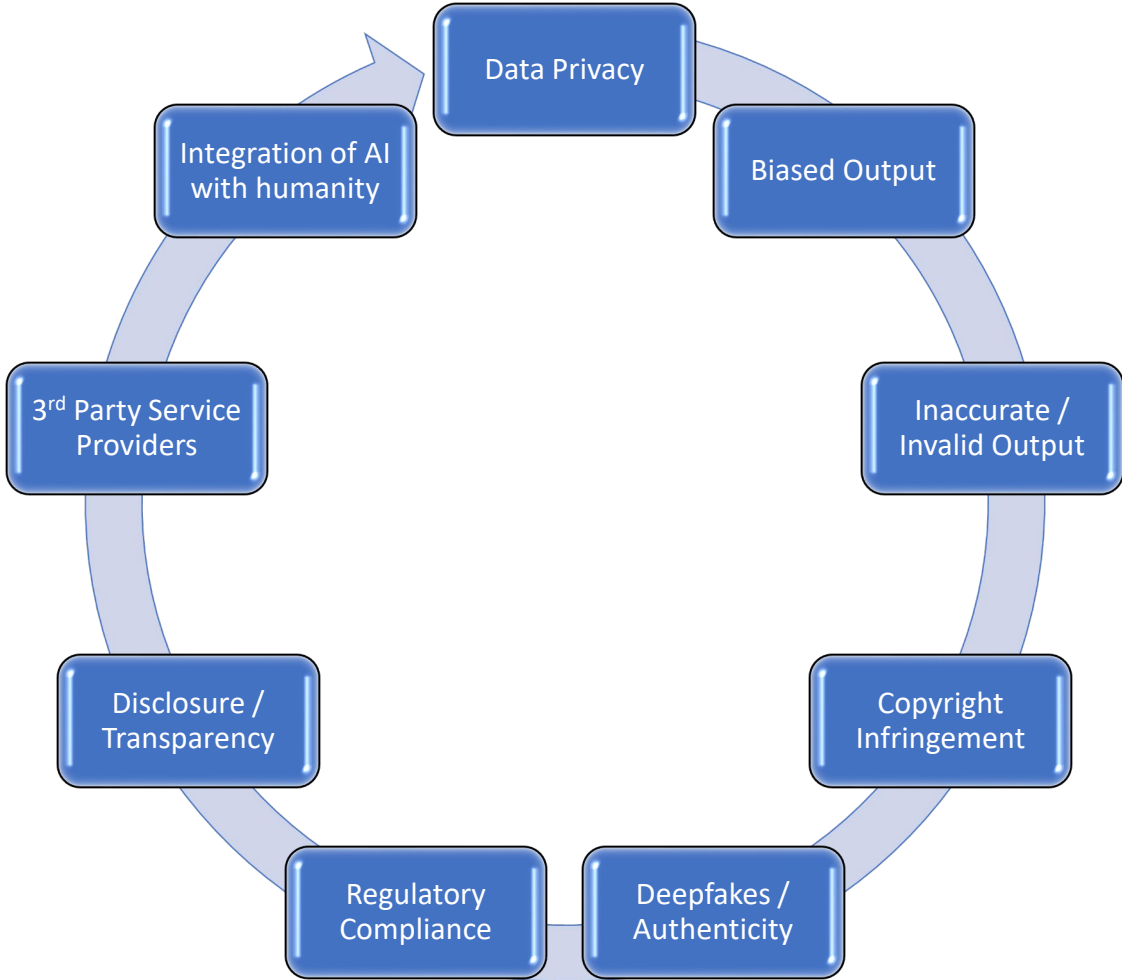


LLM Evaluation and Fine-tuning Ethical Risks

- AI application developer defines the parameters of the “guardrails” to exclude/prevent inappropriate data
- AI developer defines “acceptable use” policies for user prompts



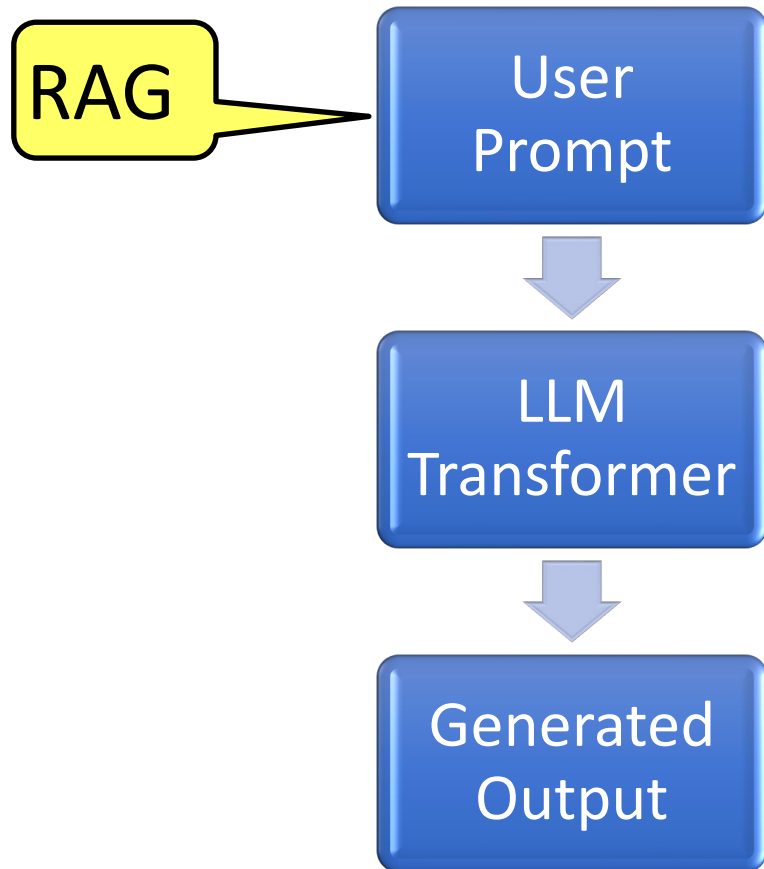
AI Ethical Implications and Risks



Data Privacy Risks

- External – Confidential data may be passed over to AI model
- Internal – Users may access unauthorized company data via AI

RAG (Retrieval Augmented Data) and Privacy Risk



Sources of RAG

- File uploads
- Worldwide web
- Internal app data
- Enterprise data

Data Privacy Risk Mitigation

- Understand and configure AI app data privacy controls
- Anonymize prompt data by removing any entity or personal identifying information
- Audit internal data access controls to ensure users only have access to data they are authorized to access

Biased Output Risk & Mitigation

- **Bias** – Prejudice for or against a person, group, idea, etc.
- AI model based on real world data
- AI developer can embed bias in the transformer
- Mitigation can be invoked via the prompt



Example prompt

AI Output Accuracy and Validity Risk & Mitigation

- Generated output may be inaccurate (hallucination)
- Establish a process for validating accuracy
 - ✓ Emphasize using your RAG data
 - ✓ Regenerate output – modify prompt / iterate prompt / prompt alternate model(s)
 - ✓ Require source citations in prompts
 - ✓ Implement a secondary review process

Copyright Risk & Mitigation

- AI output may be generated using copyright protected data
- You are ultimately responsible
- Indemnification policy: Microsoft high, OpenAI moderate, Google low.
- Avoid publishing comprehensive output verbatim.
- Use plagiarism tools, e.g. [iThenticate](#)

Deepfakes / Authenticity Risk & Mitigation

- AI generate output – image, audio, video
- Difficult to determine legitimacy
- Educate staff on what to look for
- Utilize safe word / phrase
- Dual authorization for ALL payments above \$ threshold

Regulatory Compliance Risk & Mitigation

- AI usage may not be in compliance with legislation, regulation, professional standards, etc.
- Develop a scheduled prompt to monitor appropriate authorities for new standards.

Scheduled Prompt Example

Edit schedule ×

Name

Monitor new AI regs & standards for banks

Instructions

Search for new or updated items in the last 24–48 hours that affect banks' use of AI. Prioritize: OCC fintech/AI + Model Risk Management (Comptroller's Handbook); Federal Reserve AI program, SR 11-7, supervisory statements; FDIC AI publications; CFPB AI/fair-lending actions; Financial Stability Board AI reports; BIS/BCBS insights; EU AI Act updates affecting credit institutions/EBA; UK Bank of England/PRA/FCA updates; NIST AI RMF; ISO/IEC 42001. Deliver a concise daily digest with: (a) headline and date, (b) issuing body, (c) why it matters for bank compliance (model risk, third-party, fair lending, ops risk, governance), (d) official link, (e) 1–3 recommended bank actions. Skip duplicates and general AI hype.

Also try these focus queries:

- site:occ.treas.gov ("artificial intelligence" OR "model risk")
- site:federalreserve.gov ("SR 11-7" OR "artificial intelligence" OR "model risk")
- site:fdic.gov ("artificial intelligence" OR "machine learning")
- site:consumerfinance.gov ("artificial intelligence" OR "adverse action" OR "explain")
- site:fb.org ("artificial intelligence"); site:bis.org (AI OR explainability)

When

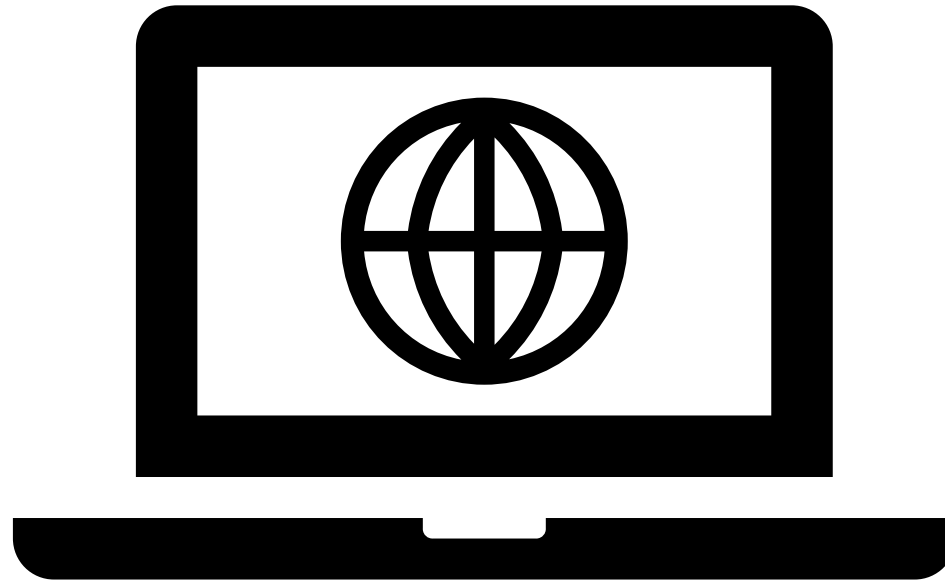
Monthly ▼ 1st ▼ 7:30 AM ▼

Example prompt

Disclosure / Transparency Risk & Mitigation

- Currently little or no guidance from legislation and professional standards.
- Rely on your ethical framework
- Disclose relative to your usage and output
- Avoid using verbatim output
- Maintain an auditable trail of AI usage
- Apply consistent to other research tools

Using Projects in ChatGPT for Audit Trail



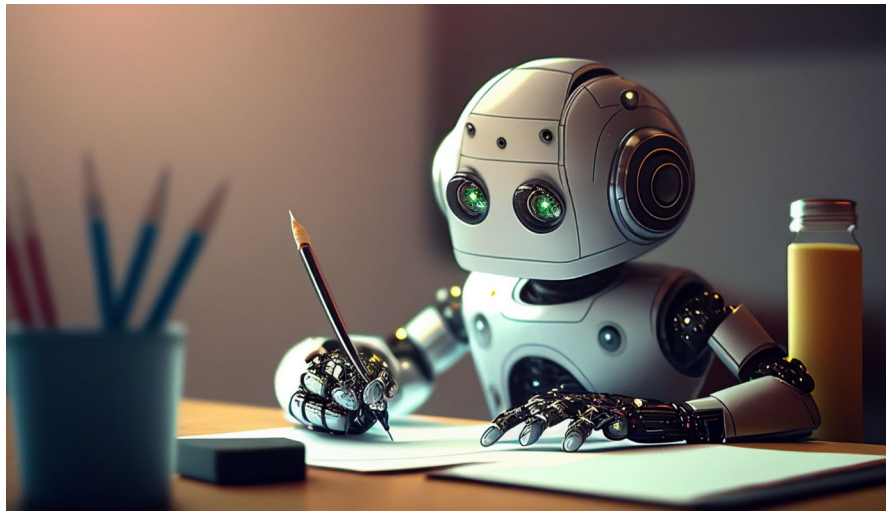
Example project

3rd Party Service Provides Risk & Mitigation

- AI provider may be the source of many of these risks identified.
- Apply due diligence in selecting AI tools
- Permit only usage of approved AI tools
- Disclose usage via contracts / engagement letters as per other 3rd party application usage

Integration of AI & Humanity Risk & Mitigation

Machines are getting
more like humans



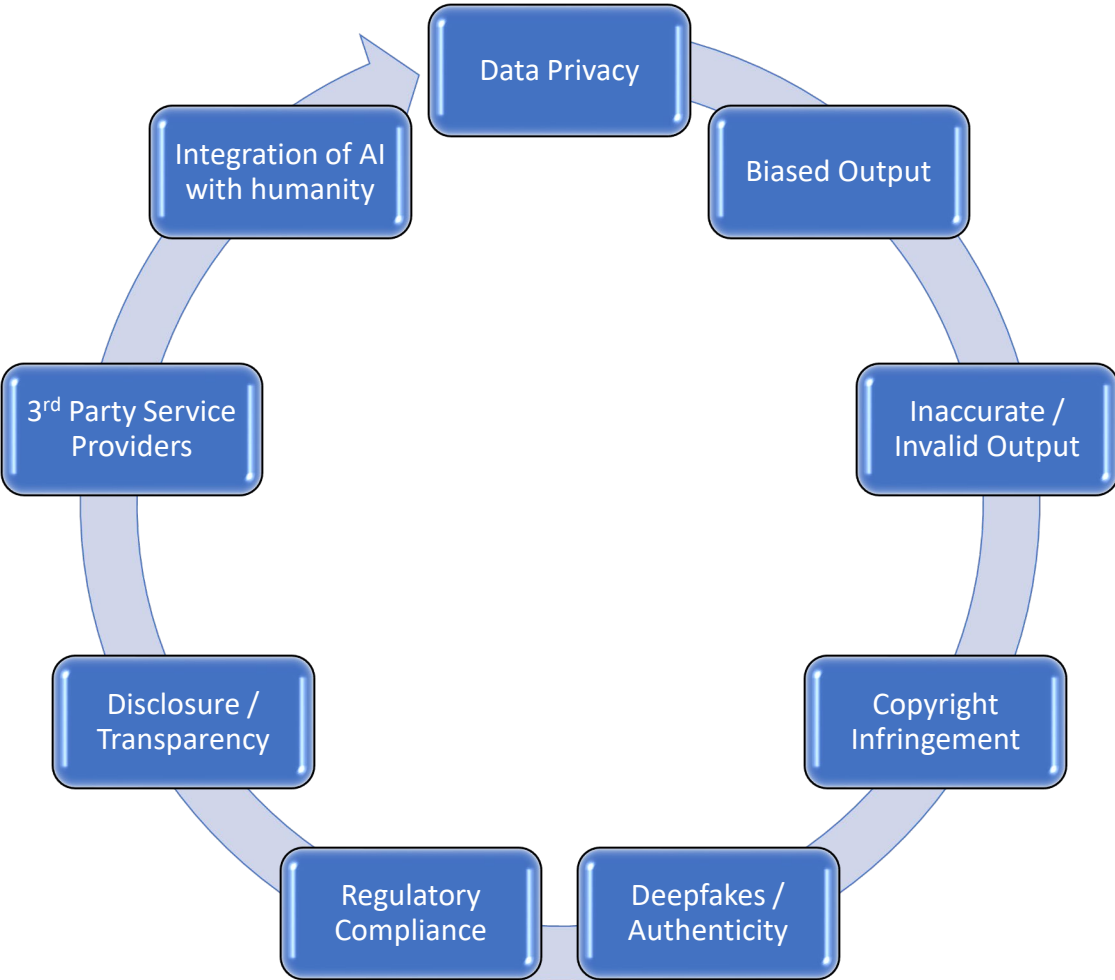
Humans are getting
more like machines



Integration of AI & Humanity Risk & Mitigation

- Many people are sleepwalking about AI
- Many people fear losing their job
- Many people have a negative view of AI
- Develop your “talent stack” AI strategy
- Communicate clearly and consistently to staff
- Invest in staff AI upskilling to leverage domain knowledge

AI Ethical Implications and Risks



Responsible AI Usage Policy Recap

Develop AI strategy

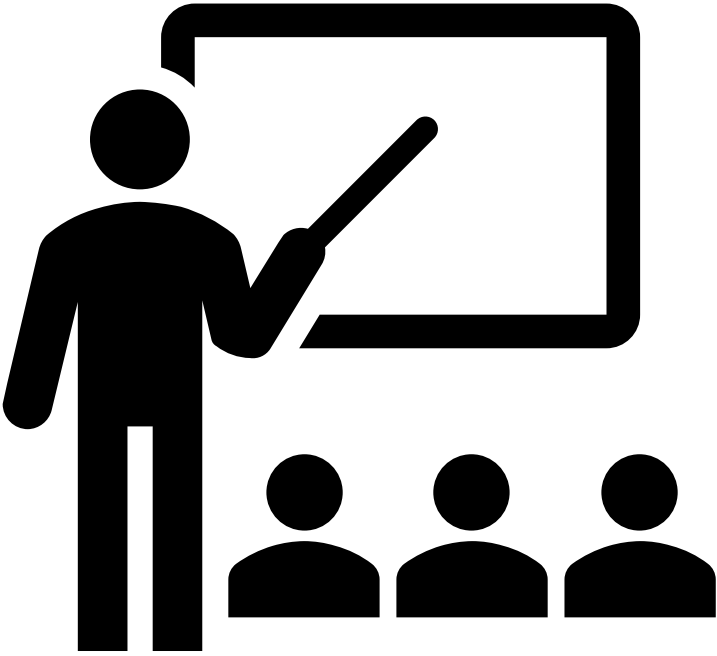
Apply due diligence in selecting authorized AI tools

Develop AI usage documentation standards

Establish AI output validation processes

Document your AI usage policy, train and enforce

WRAP-UP



In Summary

- There are many ethical implications and risks associated with using generative AI technology
- Specific standards and regulations are currently limited
- Develop an AI usage policy for your organization
- Educate your staff on the risks of AI
- Use your core ethics as your foundation to guide you!

Thank you!!!

Let's connect on LinkedIn →

