



Risk Management Considerations for Artificial Intelligence (AI) Implementation

In a small municipality, staff are faced with an increased demand for their services and a lack of resources to meet the demands. Seeking an innovative solution, they turn to ChatGPT, an Artificial Intelligence (AI) tool, to revolutionize their work processes. Staff find relief as ChatGPT becomes their reliable assistant: it handles routine inquiries, provides automatic responses on permits, regulations, and utility services. It even provides a streamlined template for communications so that all members of council and staff are “on the same page” when they communicate with the public. This frees up their time to focus on more complex matters such as strategic planning, policy development, and community initiatives.

ChatGPT also proves invaluable for data analysis and decision-making. Municipal analysts can leverage ChatGPT’s capabilities to process vast amounts of data, identify trends and generate insights. This empowers them to make informed recommendations to city officials which enables evidence-based decision-making and improved resource allocation.

Implementing AI technology into municipal operations can clearly bring significant benefits such as improved efficiency, cost savings, and enhanced decision-making.

However, it is essential to identify and manage potential risks associated with AI integration to protect your municipality and ensure compliance with all federal, provincial and municipal laws. This article outlines some key risk management considerations for adopting AI technologies in your municipality.

ChatGPT is one tool that utilizes AI and machine learning to become an invaluable automated assistant. This is a nascent technology that is quickly becoming mainstream for the every-day user and promises to become an integral part of everything we do in the very near future. In the coming months, we can expect AI offerings to be rolled out by large corporations like Google and Microsoft. Of note, there are many apps you can access on your phone right now that uses the moniker, in one form or another, of ChatGPT. These apps piggy-back onto the original ChatGPT by Open AI, which is a web-based app. It may be appropriate to use an app that is powered by ChatGPT, but without understanding the implications of using this new technology, you could be putting your municipality at risk. Some important and emerging AI tools are expected to arrive in the near future:

- **Microsoft:** promises to use AI to examine your usage data in their Office Suite to enhance productivity and efficiency.

- **Google:** plans to make Google searches even better by optimizing your search results to provide a meta data analysis of your searches.

Though these tools are going to, no doubt, make municipal tasks more streamlined and efficient, they are not without risk. Before integrating AI systems into your operations, it is crucial to know and evaluate the potential risks and challenges associated with AI adoption.

Data Privacy and Security

AI systems often require large amounts of data to function effectively. Therefore, it is crucial to ensure that the data used by the AI system is stored, processed and transmitted securely to prevent data breaches and unauthorized access. Your municipality should implement strong encryption methods, secure data storage solutions and robust access control mechanisms to protect sensitive data. Clearly communicate with staff what information must remain secure and what information can be used with AI.

Legal Issues

Ethical and Legal Compliance

- AI systems must operate within the boundaries of applicable ethical and legal frameworks. Before implementation, your municipality should develop clear policies and guidelines to ensure that AI systems operate ethically and comply with relevant laws, such as: data protection regulations
- anti-discrimination statutes
- privacy regulations including PHIPPA, PIPEDA and proposed Artificial Intelligence and Data Act (AIDA)

Potential for Legal Liability

Strict adherence to direction provided by AI appears to minimize the “human error” component of risk. *“If everyone just does what the AI tells us to do, we can’t be held liable.”* This strategy is simply not a good idea. As part of a decision-making process, it can provide an informed and relevant viewpoint, but it is not empirical. If AI is suggesting a particular course of action, staff must understand specifically what that recommendation is based on: *what data did it analyze to get to that decision and how did it get there?* If asked, and the only sources were American or from a political or biased source, then clearly the municipality should be dubious about relying on that suggestion.

A Regulatory Conundrum

Compliance with data protection, anti-discrimination and privacy regulations (such as PHIPPA, PIPEDA, and the proposed AIDA) requires clear policies. AIDA, as Canada’s potential first AI legislation, aims to establish boundaries and penalties for noncompliance. However, challenges may arise during implementation. Decisions should be evidence-based, considering transparent and unbiased sources. Proactive measures are essential to navigate the regulatory landscape, ensuring ethical AI practices, legal compliance and risk mitigation.

Transparency

AI systems can make decisions or perform actions that are complex and difficult for humans to comprehend. The resulting lack of transparency and challenges regarding explaining AI-generated answers can cause mistrust, a loss of reputation and could lead to court challenges. Therefore, it’s important that municipal governments aim for AI systems that are transparent in their decision-making process and can provide clear justifications for their actions, should it be necessary to do so. When prompting AI systems for information it is always a good idea to ask for and check sources. AI can and should provide references to justify its response. When prompting AI, staff should request a listing of the sources used and think critically as to whether the sources are relevant for them. That process should be fully documented and retained.

Accountability

Establishing clear lines of accountability is crucial when implementing AI systems. Your municipality should identify who is responsible for overseeing the AI system, monitoring its performance and addressing any issues that may arise. This includes assigning responsibility for ensuring compliance with ethical and legal frameworks as well as handling disputes and complaints related to the AI system.

System Reliability and Robustness

AI systems must be reliable and robust to minimize the risk of errors, failures and unintended consequences. Your municipality should thoroughly test and validate AI systems before implementation and continuously monitor their performance to identify and address any issues that may arise. This includes conducting regular system maintenance and updates to ensure optimal performance.

Training and Education

AI systems can only reach their full potential when users understand how to interact with and use the technology effectively. Staff must be fully trained and understand the capabilities and pitfalls of using AI systems, as well as their responsibilities and potential risks and liabilities of using the technology. Though there is no doubt that effective use of AI will be a total game changer to municipal governance, it cannot be a “once-and-done.” Ongoing vigilance and training are always important, but never more so than with AI. It is essential that staff using these systems keep up to date with news regarding AI.

Vendor Selection and Management

When selecting AI technology vendors, your municipality should carefully evaluate their offerings, track record, and commitment to ethical and legal compliance. Keep in mind there are different vendors for different tasks. Some specialize in specific tasks such as copywriting, whereas some vendors have more general capabilities. Be sure to research which AI system will be able to best provide for your municipality’s needs. IPE is available to review your vendor agreements to ensure your best interests are protected.

Public Perception and Communication

The public’s perception of AI technology can have a significant impact on your municipality’s reputation and operations. It is essential to communicate openly and transparently with the public about your municipality’s use of AI technology, its benefits and the measures taken to address potential risks and concerns.

Understanding Limitations

AI systems, while powerful and versatile, have limitations that must be understood and managed. These limitations can include biases in training data, difficulty in understanding context, sensitivity to data input changes and potential for “overfitting” which can occur when the AI makes conclusions that will not have relevance to your specific municipality. Your municipality should be aware of these limitations and develop strategies to mitigate potential risks from these limitations. Again, training your staff to know what to watch for and mitigate against is integral to AI integration for effective municipal use.

Municipal use of AI holds much promise. Municipalities will certainly benefit from creating more efficiencies and saving staff costs. AI, however, is a tool, it is not a panacea or cure against critical thought. By addressing these risk management considerations and remembering that these considerations can and will change, your municipality can maximize the benefits of AI technology while minimizing potential risks and challenges in boldly going where no municipality has gone before.

As of May 31st, 2023, at the time of writing his article, the information provided represents our understanding of Artificial Intelligence (AI) technology. However, please note that AI is a rapidly evolving field, and new advancements and information may emerge, potentially altering our current knowledge. Readers are encouraged to stay informed about the latest developments and consult reliable sources for the most up-to-date information on AI.

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