



MICHIGAN MUNICIPAL LEAGUE
CONVENTION2026

**A.I. in Government: Promises,
Pitfalls, & Preparedness**



A.I. in Government: Promises, Pitfalls, & Preparedness

Objectives:

1. *Define* your organization's AI environment, including inputs, drivers, and how AI is being utilized
2. *Recognize* the biases and implications of AI use at your organization.
3. *Identify* actions you can take to implement an AI governance program.

Agenda:

- Using Artificial Intelligence in Organizations
- Evaluating Whether an AI Use Case is Worth Pursuing
- AI Risks and Concerns
- Implementing AI Governance in your Organization

Introductions



Cooper Dayton, CPA, CISA, AAIA

Manager, Cybersecurity

Cooper's experience includes over 6 years conducting IT internal controls documentation and testing for internal and external IT audit, cybersecurity & IT risk assessments, and assisting in leading Plante Moran's AI security services.



Manny Mohan, CISA, CISM

Manager, Cybersecurity

Manny has over 5 years of experience leading cybersecurity, compliance, and IT risk management assessments for organizations across public sector, higher education, and healthcare industries. His experience includes assessing emerging technologies and helping organizations implement governance practices that balance innovation, security, and risk.

Audience Poll

How often are you using AI in your local government work?

1. Daily
2. Weekly
3. Monthly
4. Rarely
5. Never

Lets Automate That! A Case Study

A municipality is considering an AI assistant that answers resident questions about permits, taxes, trash collection, and public meetings.



Using Artificial Intelligence in Organizations

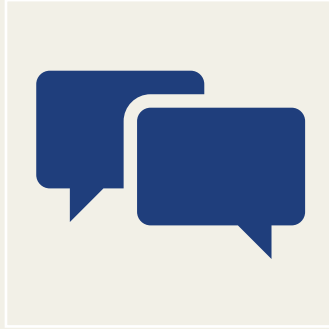


The Promise: A Case Study

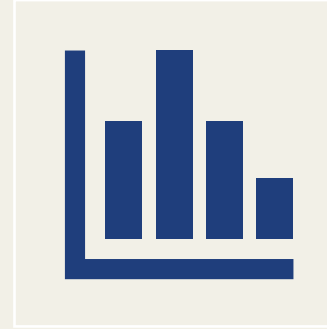
A municipality is considering an AI assistant that answers resident questions about permits, taxes, trash collection, and public meetings.

The promise: Faster responses, expanded service hours, happier constituents.

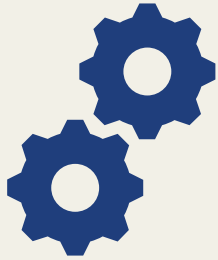
Applications of AI



Chat Bots &
Conversational IVR



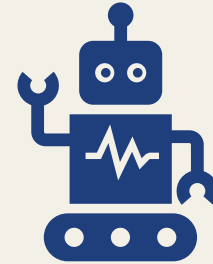
Statistical Models &
Forecasting



Robotic Process
Automation



Machine Learning/Neural
Networks



Generative AI

The State of AI Adoption Overall

As of mid 2026

- Two-thirds of surveyed CIOs and CTOs report being held accountable for AI systems they do not fully control*
- Budgets are expected to jump from 15% of IT budgets in 2025 to 25% by 2027*
- Organizations relying on manual oversight see high security risk as AI scales – embedded controls lead up to 25% fewer incidents*
- Organizations are moving from adoption and deployment of AGI to adoption and deployment of agents working cohesively

*Data pulled from the IBM 2026 Institute for Business Value Tech Leader study

The State of AI Adoption – Local Governments

As of early 2024

- 48% said AI was a low-priority for their local govt, less than 6% indicated it as a high priority*
- 10% of survey respondents have an assigned AI lead*
- Less than 10% of survey respondents have an AI policy*
- AI misinformation or disinformation are top concerns for public officials
- Opportunities include resident engagement for services, and financial modeling analysis
- Municipalities face unique challenges in cost, adoption issues, but also communicating with constituents, who could have varying views of AI usage

*Data pulled from the ICMA AI in Local Government 2024 Survey

Example Use Cases



Permit data processing



Risk forecasting



Customer reception



Fraud detection and prevention through analytics



Rate forecasting & recommendations

Example Use Case

Earth's climate is changing. IBM's new geospatial foundation model could help track and adapt to a new landscape

Built from IBM's collaboration with NASA, the watsonx.ai model is designed to convert satellite data into high-resolution maps of floods, fires, and other landscape changes to reveal our planet's past and hint at its future.

Evaluating Whether an AI Use Case is Worth Pursuing





Barriers of AI Adoption



59% of respondents surveyed indicated security and compliance are the biggest barriers to adoption as AI agents and adoption scales*

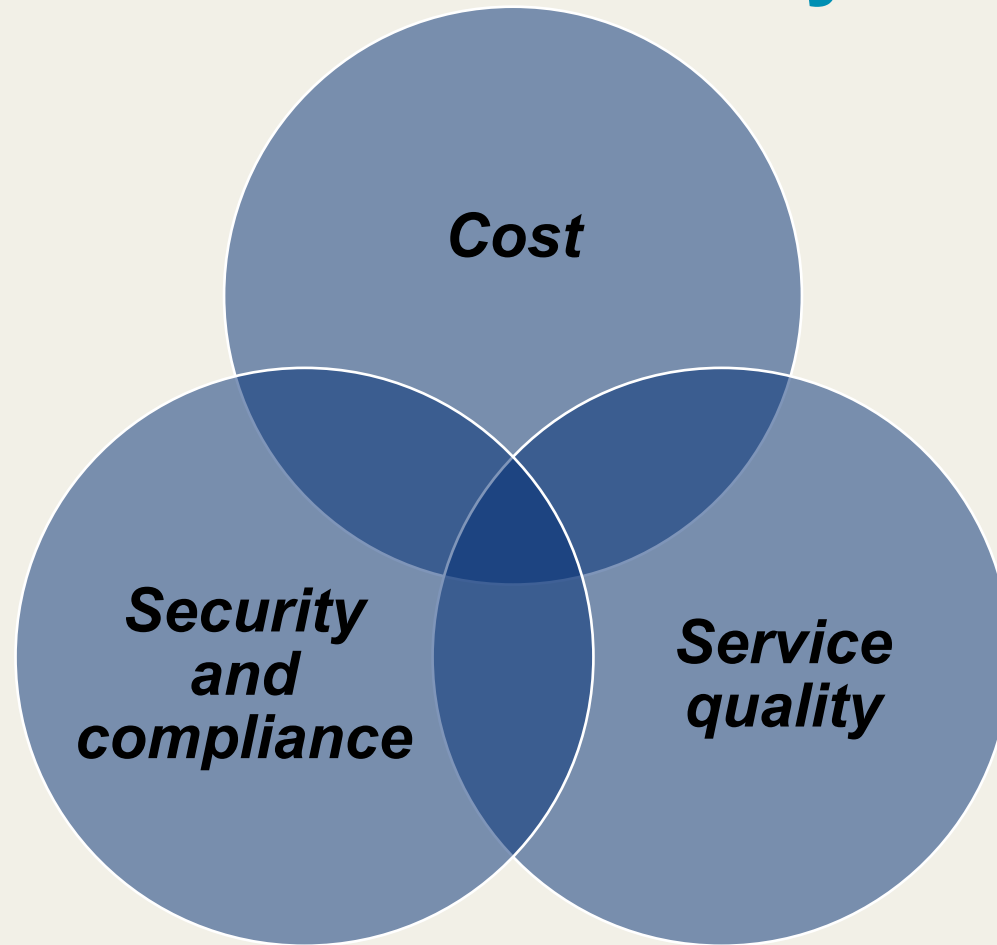


84% have not operationalized financial management of AI;
85% do not have visibility to real-time spend*

*Data pulled from the IBM 2026 Institute for Business Value Tech Leader study



Analyzing the Decision Internally



Engaging with the Public

Transparency, transparency, transparency.

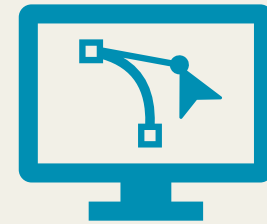
Explainability, explainability, explainability.

Approach it like any other technology we have for.

Accuracy of AI, especially in where it is informing judgement.



AI Risks & Concerns



The Pitfall: A Case Study

A municipality is considering an AI assistant that answers resident questions about permits, taxes, trash collection, and public meetings.

The pitfall: Incorrect instructions, unauthorized disclosure, inaccessible responses, or inconsistent treatment.



Data Security & Confidentiality



LIMITATIONS ON
USE AND PURPOSE



DATA MINIMIZATION



IDENTITY
PROTECTION



COMPLIANCE WITH
PRIVACY LAWS



Ethical Outcomes & Model Bias



Bias and Fairness



Accountability and
Responsibility



Transparency



Fabricated & Inaccurate Outputs

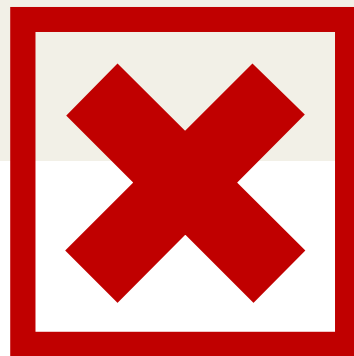
Review outputs for:

- ✓ Accuracy
- ✓ Appropriateness
- ✓ Usefulness



Watch out for AI hallucinations!

AI Hallucinations



You

What was the last line of the old man and the sea



ChatGPT

The last line of Ernest Hemingway's novella "The Old Man and the Sea" is:

"But man is not made for defeat," he said. "A man can be destroyed but not defeated."



You

what was the last line from the old man and the sea



ChatGPT

The last line of "The Old Man and the Sea" by Ernest Hemingway is:

"He was still asleep in the bed and the old man could hear him breathing."

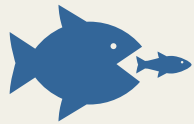
The Old Man and the Sea

"I didn't know sharks had such handsome, beautifully formed tails."

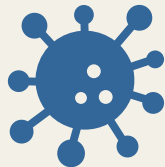
"I didn't either," her male companion said.

Up the road, in his shack, the old man was sleeping again. He was still sleeping on his face and the boy was sitting by him watching him. The old man was dreaming about the lions.

Threats Amplified by AI



Phishing



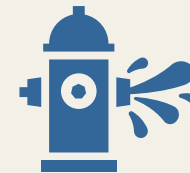
Adaptive Malware



Reconnaissance



Deepfakes



Data Leakage

Staffing Considerations

Inappropriate
usage

Job
displacement
and future work



Vendor Considerations



Vendor model & usage of data



Vendor contract



SOC and/or other attestation reports



Vendor cost model



Vendor regulatory compliance



Local regulatory compliance

Municipal Specific Risks

Inaccurate Algorithms

Lead to incorrect calculation of property tax rates.

Bias

Harm to consumers through discriminatory practices related to taxation, permitting fees, permitting approvals, etc.

Privacy & Security

Processing of sensitive information related to financial, health, employment, or other data can be misused or breached without proper internal controls.



Records Retention



Audience Poll

Who has implemented an AI tool ***OTHER THAN*** Enterprise-wide tools (e.g., not ChatGPT, Gemini, Claude, or Copilot)? What is it used for?

Implementing AI Governance in your Organization



The Preparedness: A Case Study

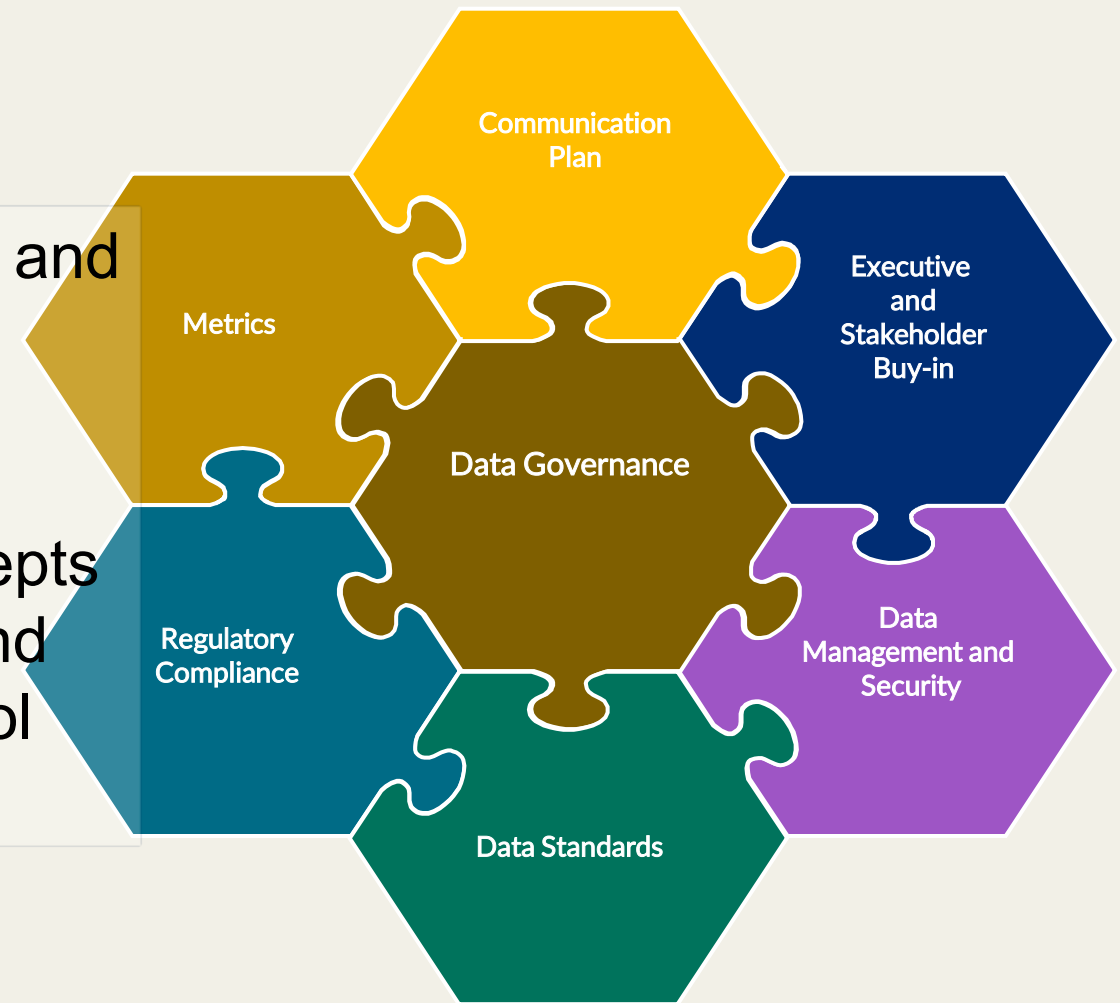
A municipality is considering an AI assistant that answers resident questions about permits, taxes, trash collection, and public meetings.

The preparedness: Approved data sources, testing, human escalation, records handling, vendor terms, monitoring, and public disclosure.

The Jigsaw of Data Governance

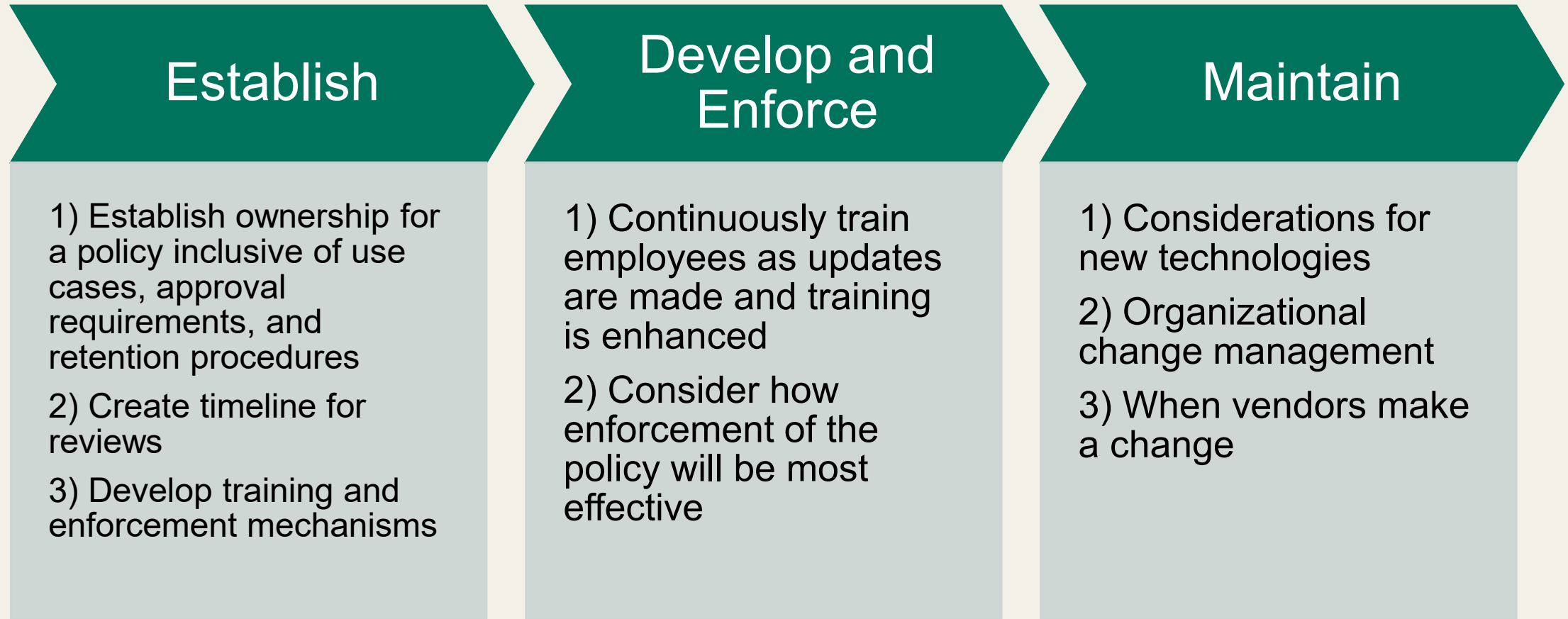
Data Governance is a collection of practices and processes that help to ensure the formal management of data assets within an organization.

Data Governance often includes other concepts such as **Data Stewardship**, **Data Quality**, and others to help an enterprise gain better control over its data assets





Maintaining AI Policies & Procedures





AI Governance Best Practices



AI Governance – Establish a lead and committee with cross-functional representation



Develop and Enforce AI Acceptable Use Policy



Keep policies broad, but procedures specific

Human in the Loop



AI Governance Guidance

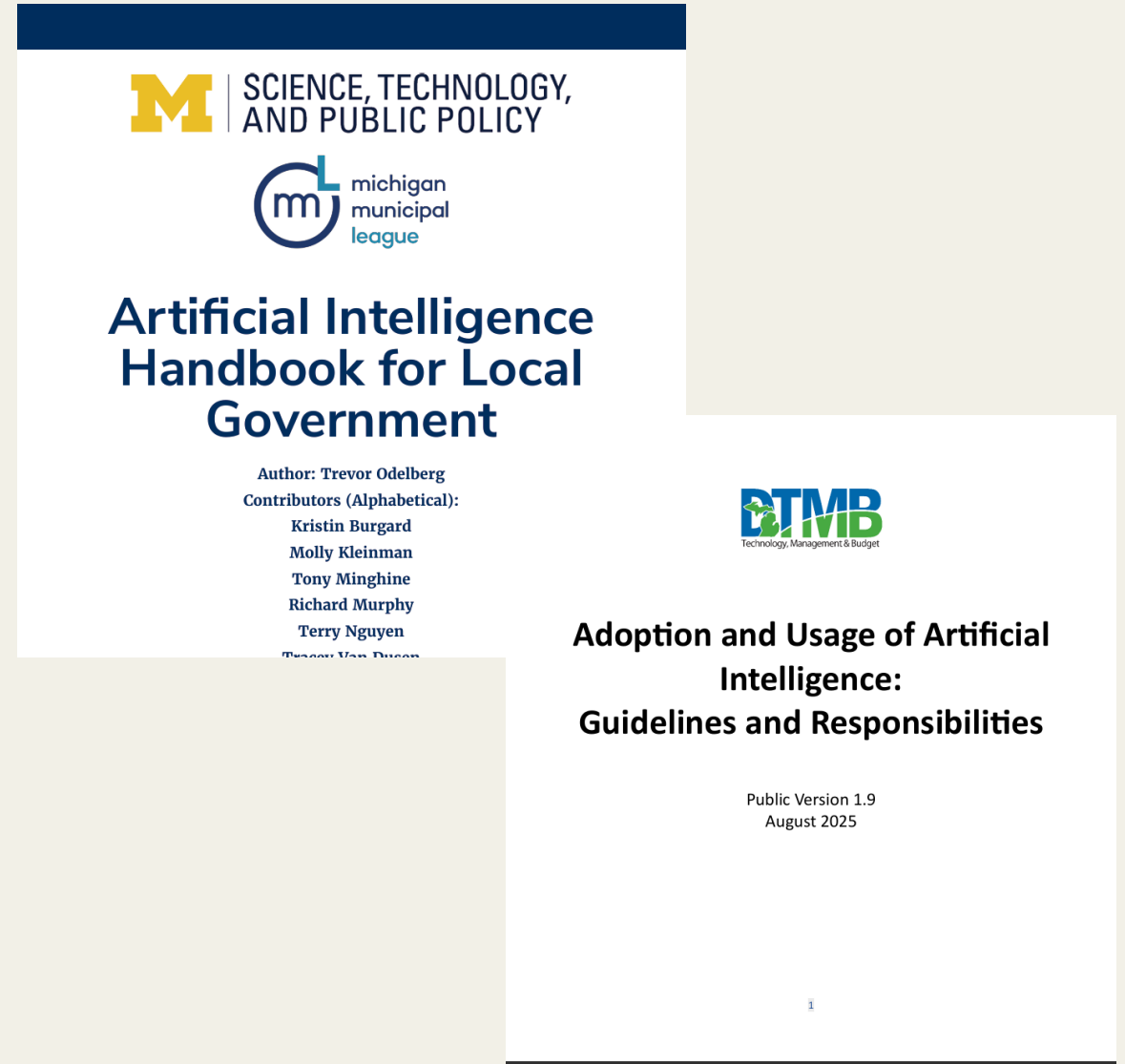
Artificial Intelligence Handbook for Local Government | Science, Technology and Public Policy (STPP)

University of Michigan + MML have published guidance

- Includes a tool-assessment checklist for local officials

State of Michigan - Adoption and Usage of Artificial Intelligence - Guidelines and Responsibilities

Michigan Dept of Technology, Management, and Budget has issued guidelines and responsibilities



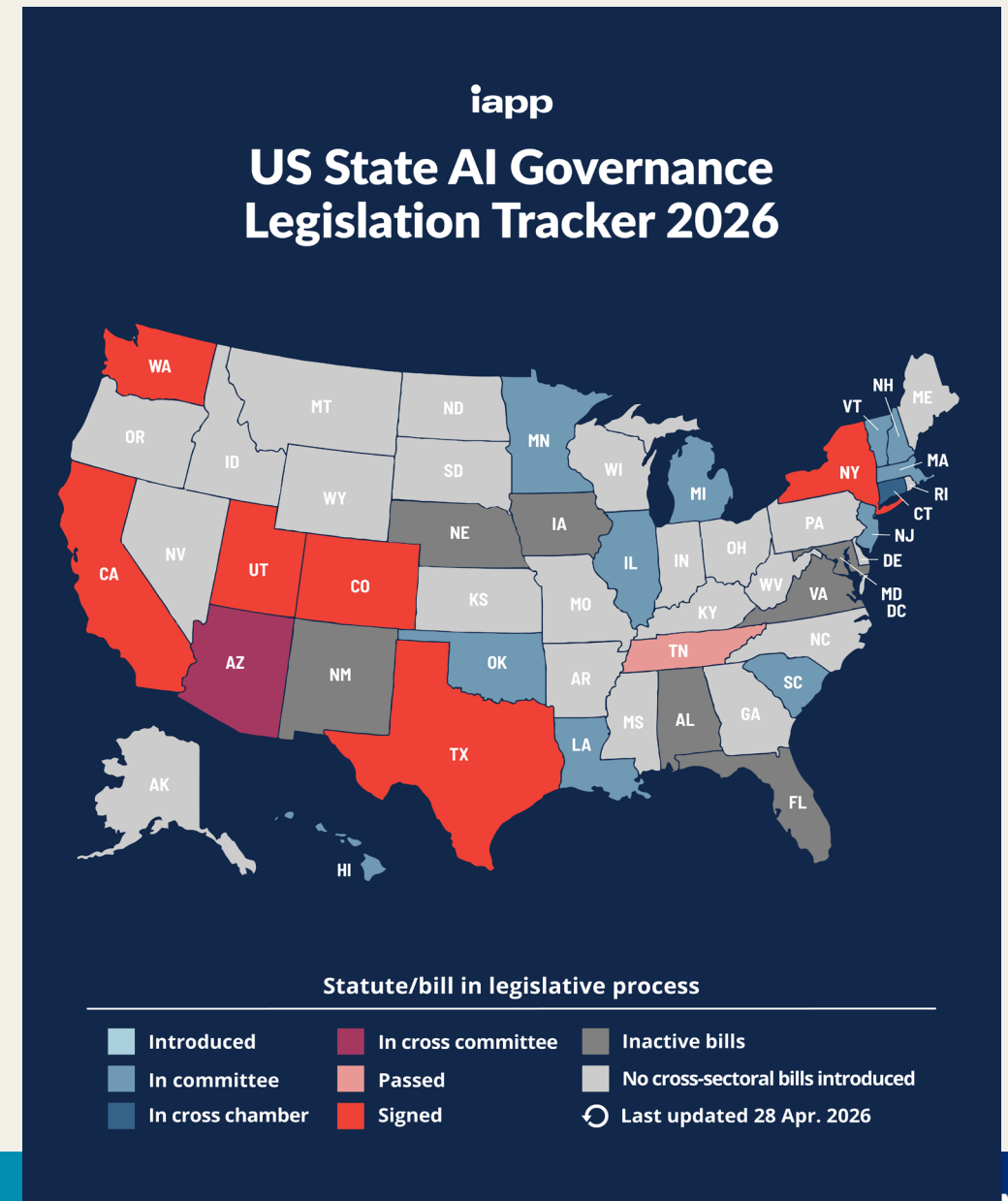
AI Governance Guidance - Other



AI Legislation

As of August 2026

- No federal legislation is anticipated
- Michigan has no overarching AI law in place – something like Colorado or the EU does have
- AI bills focus on specific issues:
 - Disclosure of AI in political ads
 - Explicit deepfakes
- Proposed overarching bill includes HB 4668, creating safety and transparency for model developers
- Other proposed bill include how AI is used in healthcare decisions, creating a state AI Governance framework



Courtesy of IAPP

What Now?

1. Establish an AI governance lead and/or committee who is accountable for AI within the municipality, usually people who are also overseeing overall risk for the organization
2. Inventory AI systems in use through network scanning, and employee surveys
3. Conduct an AI risk assessment and establish governance gaps and needs, based on existing frameworks
4. Establish an AI policy
5. Develop implementation plan over governance gaps, identifying processes for post-governance implementation
6. Monitor state legislative action and state-wide bulletins for AI usage and interactions with state agencies
7. Communicate transparently and consistently the deployment of AI in the organization, and train and upskill employees to adapt to use within the municipality

