



June 12, 2023

Travis Hall
National Telecommunications and Information Administration
U.S. Department of Commerce
1401 Constitution Avenue NW
Room 4725
Washington, DC 20230

Re: NTIA-2023-005: AI Accountability Policy Request for Comment

Dear Mr. Travis Hall:

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditors and audits to dynamic market conditions. This letter represents the observations of the CAQ based upon feedback and discussions with certain of our member firms, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

In addition to providing the following overall observations, we have included detailed responses to certain of the questions included in the request for comment in the Appendix.

General Support

The CAQ appreciates the opportunity to share our views in response to the National Telecommunications and Information Association's (NTIA) AI Accountability Policy Request for Comment (RFC). The CAQ commends the NTIA for conducting outreach to inform its report and future AI accountability policy development. Given the rapid pace of evolution and deployment of AI technology, we think that this is a particularly important project for society at large. Strong public policy around AI accountability and safety will promote positive use cases of this technology while mitigating the risk that AI will be used in unsafe or malicious manners. We believe that establishing sound AI safety standards and compliance monitoring practices around the development and application of AI is in the public interest.



CENTER FOR AUDIT QUALITY
555 13th Street NW, Ste 425 E
Washington, DC 20004

(202) 609-8120
www.thecaq.org



Recommendations for Consideration

We are supportive of developing principles-based public policies that promote accountability and safety in the development and application of AI technologies. We believe public policies that develop an ecosystem that can support risk assessment and risk mitigation throughout the AI value chain would be in the public interest. Specifically, we recommend the NTIA explore the development of AI safety standards applicable to entities throughout the AI value chain whether that be through joining existing initiatives to develop frameworks and standards or through setting their own.¹

Further, we believe if AI safety standards are explored and developed, requiring assurance from an independent third party over an entity's compliance with those AI safety standards could drive accountability and transparency, ultimately promoting stakeholder trust in the application of AI technologies. Public company auditors have a long history of serving the public interest by providing assurance on company-prepared information and have expertise in reporting on compliance with various established standards and frameworks.² We believe that these skills, combined with a commitment to serving the public interest, and an ability to quickly adapt to changing technologies and regulatory environments make public company auditors well-suited to provide assurance on compliance with AI safety standards.

As such, we believe that a successful AI accountability policy could include:

- 1) Safety standards for developing, deploying, and using AI technologies.
- 2) Entities subject to those standards to periodically obtain independent assurance to assess compliance with the AI safety standards during a given period.

Risk-Based Approach to AI Safety

We believe that an AI policy framework that is principles-based and grounded in identifying and addressing risks arising from AI that could potentially have a negative impact on stakeholders would effectively serve the public interest. A risk identification and assessment framework should contemplate the initial development and continued modifications of AI models and the downstream contexts in which AI models are used. Effective policy should also, through the development of AI safety standards, provide a framework for mitigating risks, through the implementation of controls and responses, to an acceptable level.

For example, when considering the development and continued modifications of AI models, safety standards could guide entities to consider risks around bias and data integrity, among others, and design, implement, and operate responses that sufficiently mitigate those risks. Safety standards could also create

¹ For example, the NTIA could consider the National Institute of Standards and Technology [Artificial Intelligence Risk Management Framework](#).

² For example, public company auditors provide assurance on financial reporting in accordance with US Generally Accepted Accounting Principles (US GAAP), internal control over financial reporting in accordance with the COSO Internal Control Framework, and various nonfinancial metrics, such as greenhouse gas emissions in accordance with the GHG Protocol, among others.



a framework for ongoing monitoring of AI models to verify that the models are being operated and applied in accordance with safety standards.

As it relates to the downstream use of AI in different contexts, we refer to the EU AI Act,³ which assigns a risk level to various AI uses. Depending on the risk level of the AI use case, the EU proposed regulation would require the development of various policies, processes, or controls to mitigate risks to society. We encourage the NTIA to consider concepts from the EU proposed regulation as they develop policy recommendations on AI. To further promote accountability, we recommend developing polices that would direct entities to perform these risk assessments periodically.

Compliance with AI Safety Standards

We believe that independent assurance over compliance with AI safety standards could enhance public trust in entities adhering to the standards. Therefore, we recommend that any policy developments contemplate certain entities periodically obtaining independent assurance to assess their compliance with AI safety standards for a given period.

This approach would be similar to concepts in the Sarbanes-Oxley Act of 2002 (SOX), which among other requirements to strengthen financial reporting, requires public companies to annually assess the effectiveness of their internal controls over financial reporting and external auditors attest to the company’s assessment (as required in SOX Section 404(a) and (b)).⁴ In the years since SOX has been implemented in the U.S., we have observed improvements in the reliability of information reported in the financial statements and increased trust and confidence of market participants. Further, empirical testing has found that effective systems of internal control lead to significant improvements in the quality of information to the capital markets.⁵ We believe that similar benefits could be achieved related to compliance with AI safety standards if the suggested approach to AI safety standards were considered in future policy developments.

Role of the Independent Auditor

Public company auditors can play an important role in providing assurance around compliance with AI safety standards for many reasons. The U.S. public company auditing profession is a profession steeped in bringing accountability, standards-based analysis, and objectivity to the review of company-reported information. Public company auditors use this skillset to opine on a company’s financial statements, effectiveness of internal control over financial reporting, and nonfinancial information, such as ESG information.

Public company auditors are experienced in reporting on compliance with various established standards and frameworks and are skilled at understanding risk identification and assessment and evaluating entity-

³ <https://digital-strategy.ec.europa.eu/en/policies/regulatory-framework-ai>

⁴ https://thecagprod.wpenginepowered.com/wp-content/uploads/2021/02/SOX-101_V13.pdf

⁵ Many studies support the efficacy of the internal control provisions (Section 404) of SOX. For a synthesis of the academic literature on this topic, see S. K. Asare et al., “Auditors’ Internal Control Over Financial Reporting Decisions: Analysis, Synthesis, and Research Directions,” *Auditing: A Journal of Practice & Theory* 32, S 1 (2013): 131–66.



implemented responses to identified risks. Further, public company auditors are guided by professional standards which require auditors to be independent of the companies they audit and to plan and perform assurance engagements with professional skepticism. Public company auditors are also required to adhere to continuing professional education, ethics, and experience requirements, including specialized training. Finally, public company auditors are required to maintain a system of quality control that is designed to provide the public company audit firm with confidence that its auditors complied with applicable standards and the reports issued by the public company auditor are appropriate.

Accordingly, we believe that public company auditors would be able to apply their skills and experience to provide assurance around compliance with AI safety standards and we believe that this existing expertise would allow the public company auditing profession to move quickly to bring trust and accountability to AI.

We urge the NTIA to consider a risk-based approach to AI policy that focuses on risk assessment throughout the AI value chain and compliance with independently developed AI safety standards. Additionally, we believe that independent assurance provided by experienced professionals will enhance trust and accountability that entities are complying with AI safety standards.

The CAQ appreciates the opportunity to comment on the RFC, and we look forward to future engagement. As the NTIA gathers feedback from other interested parties, we would be pleased to discuss our comments or answer questions from the NTIA regarding the views expressed in this letter. Please address questions to Dennis McGowan (dmcgowan@thecaq.org) or Erin Cromwell (ecromwell@thecaq.org).

Sincerely,

A handwritten signature in black ink that reads "Dennis J. McGowan".

Dennis McGowan, CPA
Vice President, Professional Practice
Center for Audit Quality



Appendix: Responses to Specific Questions

1. *What is the purpose of AI accountability mechanisms such as certifications, audits, and assessments? Responses could address the following:*

- a. *An audit or assessment may be used to verify a claim, verify compliance with legal standards, or assure compliance with non-binding trustworthy AI goals. Do these differences impact how audits or assessments are structured, credentialed, or communicated?*

Multiple factors impact how public company auditors design and perform assurance engagements in accordance with applicable professional standards. Importantly, attestation engagements require suitable criteria, which is generally the standard or framework that the subject matter of the engagement will be measured or evaluated against. The procedures performed by an auditor to obtain sufficient appropriate evidence would vary depending on the criteria selected. Therefore, a common set of AI safety standards to serve as the suitable criteria would promote consistent and comparable assurance engagements for users of the attestation reports.

Additionally, auditors design engagements to provide differing levels of assurance; most commonly, engagements will provide limited assurance (review engagement) or reasonable assurance (examination engagement). In a review engagement, the independent auditor expresses a conclusion about whether any material modifications should be made to reported information in order for the information to be in accordance with the criteria. In an examination engagement, the independent auditor expresses an opinion about whether the reported information is in accordance with the criteria, in all material respects. The procedures performed in a review engagement are substantially lesser in scope than those performed in an examination engagement.

- e. *Can AI accountability practices have meaningful impact in the absence of legal standards and enforceable risk thresholds? What is the role for courts, legislatures, and rulemaking bodies?*

As discussed in our response to question 1c, we believe that AI assurance engagements could be most meaningful to stakeholders if consistent measurement criteria are used for all engagements (e.g., AI safety standards). This would allow for comparability across AI assurance engagements, which we believe will ultimately benefit stakeholders.

2. *Is the value of certifications, audits, and assessments mostly to promote trust for external stakeholders or is it to change internal processes? How might the answer influence policy design?*

Research has demonstrated the value of audits in improving the reliability of company-prepared financial information.⁶ The research has traditionally focused on financial information, however, we

⁶ See W. Wallace, *The Economic Role of the Audit in Free and Regulated Markets: A Look Back and a Look Forward* (Williamsburg, VA: William & Mary Scholar Works, 1980); and W. A. Wallace, "The Economic Role of the Audit in Free and Regulated Markets: A Look Back and a Look Forward," *Research in Accounting Regulation* 17 (2004): 267–98. These two resources provide a detailed history of how the audits of company-prepared financial information by third parties came to be viewed as an integral component of the financial reporting process.



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believe that the principles hold true for company-prepared non-financial information as well. The increased reliability of information subject to assurance promotes stakeholder trust and confidence.

Additionally, in order for externally reported information to be subject to independent assurance, entity management needs to develop robust processes and controls around that information. This may require adoption of new processes and the maintenance of documentation around risk assessment, policies, and design, implementation, and operation of internal controls. Ultimately, the performance of robust risk assessment and development of processes and controls increases internal accountability and leads to improvements in the quality of information reported externally. Studies have found that effective systems of internal control lead to significant improvements in the quality of information to the capital markets.⁷

Therefore, we think the ultimate benefit of independent assurance is that it promotes reliability of information reported externally. This, in turn, increases trust and confidence of stakeholders, a critical component of AI regulation.

5. *Given the likely integration of generative AI tools such as large language models (e.g., ChatGPT) or other general-purpose AI or foundational models into downstream products, how can AI accountability mechanisms inform people about how such tools are operating and/or whether the tools comply with standards for trustworthy AI?*

In the *Recommendations* section in our cover letter, we suggest that any framework supporting the safety of AI should require risk assessment throughout the AI value chain, including downstream uses of the AI model. AI safety standards could support those implementing AI in downstream products to perform a risk assessment to identify risks to stakeholders introduced by implementing AI and would require the development of responses that mitigate those risks to an acceptable level. AI safety standards could guide the identification of risks. Additionally, independent assurance, provided by public company auditors, over compliance with AI safety standards could enhance trust that entities are complying with AI safety standards. An AI assurance engagement on compliance with AI standards would inform stakeholders if the organization subject to the engagement was in compliance with AI standards (in all material respects) for a given period.

12. *What aspects of the United States and global financial assurance systems provide useful and achievable models for AI accountability?*

In the *Compliance with AI Safety Standards* section in our cover letter, we recommend a policy approach that is similar to concepts in the Sarbanes-Oxley Act of 2002 (SOX), which among other requirements to strengthen financial reporting, requires public companies to annually assess the effectiveness of their internal controls over financial reporting and external auditors attest to the company's assessment (as required in SOX Section 404(a) and (b)). We believe that this could be a beneficial framework to apply to the safety of AI as it would require assessment of risks related to the

⁷ Many studies support the efficacy of the internal control provisions (Section 404) of SOX. For a synthesis of the academic literature on this topic, see S. K. Asare et al., "Auditors' Internal Control Over Financial Reporting Decisions: Analysis, Synthesis, and Research Directions," *Auditing: A Journal of Practice & Theory* 32, S 1 (2013): 131–66.



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use of AI and the development of responses to mitigate those risks to an acceptable level. Also similar to SOX requirements, we recommend that any policy developments consider independent assurance of an entity's compliance with AI safety standards. We believe that this would promote transparency for external stakeholders and would further promote accountability for organizations to comply with AI safety standards. Further, we believe that independent assurance would promote public trust about entities' compliance with AI safety standards.

We have observed that the SOX model has been effective at improving the reliability of information reported in the financial statements and increasing trust and confidence of market participants. We believe that similar benefits could be achieved related to the safety of AI.

13. *What aspects of human rights and/or industry Environmental, Social, and Governance (ESG) assurance systems can and should be adopted for AI accountability?*

A key component to providing ESG assurance is the existence of measurement and reporting standards, such as the GHG Protocol or SASB standards, which allow for consistent and comparable measurement and reporting and are suitable criteria for an attestation engagement. Accordingly, we believe that it is important to similarly establish AI safety standards which could serve as criteria for the subject matter of an AI assurance engagement to be evaluated against.

We also note that research on climate-related reporting has demonstrated the value of independent assurance performed by public company auditors as opposed to other third parties. Research suggests that assurance over climate-related reporting, specifically when performed by a public company auditor, offers increased investor protection compared with other forms of third-party assurance or verification. There is also evidence that companies see the value of auditors applying independence and objectivity to enhance the reliability of the company's ESG disclosures. Researchers found that the probability of detecting material errors and omissions in a sustainability report is higher if it is assured by an auditing firm. Researchers state that the propensity to detect any errors, omissions, or misrepresentations in a sustainability report is greater if the assurance is entrusted to an audit firm than to an engineering or consultancy firm. This arises from their greater experience in audit services, their stringent education and training, the strict ethical requirements and control mechanisms they must follow, and their stronger reputational capital.⁸ We expect that similar benefits would exist for AI assurance.

23. *How should AI accountability "products" (e.g., audit results) be communicated to different stakeholders? Should there be standardized reporting within a sector and/or across sectors? How should the translational work of communicating AI accountability results to affected people and communities be done and supported?*

As we discuss in detail in the *Role of the Independent Auditor* section of our cover letter, we recommend that independent assurance be provided by public company auditors. The professional

⁸ Martínez-Ferrero, Jennifer and Isabel-María García-Sánchez. "The Level of Sustainability Assurance: The Effects of Brand Reputation and Industry Specialisation of Assurance Providers." *Journal of Business Ethics* Vol. 150 (4) (2018): 971-990.



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standards to which public company auditors are subject require a consistent form of reporting on assurance engagements (the Independent Accountants' Report). We believe that a consistent report format is important as it allows users of the report to compare reports across different assurance engagements. Further, the Independent Accountants' Report provides critical information to users, including the criteria, level of assurance, responsibilities of the auditor and entity management, and any limitations, among other information. We believe that these reports provide transparency and make information about the assurance engagement accessible to stakeholders.

29. How does the dearth of measurable standards or benchmarks impact the uptake of audits and assessments?

As we discuss in our response to question 1c, a prerequisite for an independent auditor to perform an assurance engagement is the existence of suitable criteria, which the subject matter of the engagement will be measured or evaluated against. A lack of standards or benchmarks to serve as the criteria in an assurance engagement could prohibit an independent auditor from performing the engagement. Therefore, we believe that a dearth of measurable AI safety standards or benchmarks could severely limit the number of AI assurance engagements performed. Developing AI safety standards to be used as the criteria for AI assurance engagements would enable increased uptake of these engagements. Consistent suitable criteria are also important for stakeholders as they allow for consistency and comparability across AI assurance engagements.

30. What role should government policy have, if any, in the AI accountability ecosystem?

As we discuss in our cover letter in the *Recommendations* section, we recommend that government policy should consider (1) a risk-based approach to AI safety, including compliance with AI safety standards and (2) contemplate independent assurance over compliance with AI safety standards.