

Ready Before the Regulator Asks: The AI Compliance Readiness Playbook

A WORKPLACEAI STRATEGY PLAYBOOK

The Rules Keep Moving. Build the Program That Does Not Have to

Deadlines slip, laws get rewritten, and federal and state governments disagree. The work that gets you ready does not change much. Here is how to build one compliance program that holds up across all of it.

WorkplaceAI.ai · Strategy Playbook · October 2026 · [Download PDF](#) →

Key Takeaways

- The calendar is unstable, and the work is not. The EU moved most high-risk obligations to December 2027 and August 2028, and Colorado rewrote its law. The steps that prepare you for either are the same.
- Not everything was delayed. In the EU, transparency duties under Article 50 still begin in August 2026, with a watermarking grace period to December 2026 for systems already on the market.
- Rules that already apply to you may not say "AI" at all. Employment, consumer protection, privacy, and anti-discrimination law cover automated decisions today.
- You cannot govern what you cannot see. An AI inventory is the first deliverable, and most organizations do not have a complete one.
- Classify by what the system decides, not by what it is. Hiring, lending, insurance, health, housing, education, and benefits decisions draw the most scrutiny.
- Your vendors do not carry your obligations. Deployers answer for how they use a system, so diligence, contracts, and documentation from suppliers are your responsibility to obtain.
- Prepare for the inquiry before it arrives. The recent state, federal, and EU actions against AI companies show that regulators ask for records first.

Contents

- | | |
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| 1. Why Readiness Is Harder Than It Looks | 10. Stage 6: Records, Testing, and Documentation |
| 2. Where the Rules Stand in October 2026 | 11. Stage 7: Train Your People |
| 3. The Principle: Build Once, Map Many | 12. Stage 8: Prepare for Incidents and Inquiries |
| 4. The Readiness Stack | 13. Frameworks That Earn Their Keep |
| 5. Stage 1: Inventory Every AI Use | 14. An Illustrative Walkthrough |
| 6. Stage 2: Tier by Risk and Decision Impact | 15. Where This Breaks |
| 7. Stage 3: Assign Owners and Accountability | 16. The Readiness Scorecard |
| 8. Stage 4: Diligence Your Vendors | 17. A 90-Day Roadmap |
| 9. Stage 5: Notices, Disclosures, and Human Review | 18. Conclusion: Readiness Is a Habit |

This playbook is written for business leaders, not lawyers. It describes a practical readiness program and summarizes where major rules stood in October 2026. It is not legal advice, and the summaries move quickly, so confirm specifics with counsel before relying on them.

The central argument is simple. You do not need a separate effort for every statute. You need an inventory, a risk tiering, clear owners, vendor evidence, notices and human review where decisions matter, records, trained people, and an incident plan. Done once, that foundation maps to most of what regulators ask.

Why Readiness Is Harder Than It Looks

Three things make AI compliance feel unmanageable. All three are real, and all three can be handled.

- **The dates keep changing.** Deadlines have been delayed, softened, or rewritten in the EU and in several U.S. states within the past year.
- **The jurisdictions disagree.** The EU, individual U.S. states, and the federal government pull in different directions, and some state laws are under federal challenge.
- **The use is already everywhere.** AI shows up in vendor products, browser tools, and employee workflows, often without any central record.

Waiting for stability is not a plan. If the rules were settled tomorrow, you would still need the inventory, the owners, and the records. Start with those.

Where the Rules Stand in October 2026

The table below summarizes major developments. It reflects public reporting and law-firm summaries available as of this writing, and it will date quickly.

Jurisdiction	Where it stands	What it means for you
EU AI Act, Digital Omnibus (Regulation (EU) 2026/1744)	Adopted and in force from July 27, 2026, per Usercentrics. Stand-alone high-risk obligations moved from August 2, 2026 to December 2, 2027. Obligations for AI built into regulated products moved to August 2, 2028.	Most high-risk duties arrive later, but the work to classify and document takes a long time. Start now.
EU AI Act, transparency (Article 50)	Not delayed. Obligations begin August 2026. Watermarking of generated content gets a grace period to December 2, 2026 for systems already on the market. A new ban on systems that generate non-consensual intimate imagery and child sexual abuse material also applies from December 2, 2026.	If you deploy chatbots or generate synthetic content for EU users, transparency duties are current. See our Compliance Watch on Article 50 .
EU AI Act, general-purpose models and AI literacy	Model-provider duties have applied since August 2025. The AI literacy duty has applied since February 2025, and the Omnibus softens it to supporting staff literacy.	Provider and deployer duties differ. Staff training is already expected.
Colorado	The original AI Act (SB 24-205) was repealed and replaced by SB 26-189, signed May 14, 2026. The new Automated Decision-Making Technology Act takes effect January 1, 2027 if the attorney general completes rulemaking by then. It centers on notice, adverse-outcome explanation, data access and correction, and human review for consequential decisions. It drops the duty of care, impact assessments, and risk management program requirements.	Plan for notices and review rights, with records kept for three years. Enforcement is by the attorney general only, up to \$20,000 per violation. See our Compliance Watch on Colorado .
California	Employment regulations on automated decision systems took effect October 1, 2025. Privacy regulations on automated decision-making technology require pre-use notice, opt-out, and access rights, with existing users given until January 1, 2027 to comply, per Akin Gump. Risk assessments are required for significant decisions.	If you use automated tools in hiring or other significant decisions affecting California residents, notices and opt-outs are in scope. Penalties run to \$2,500 per violation, or \$7,500 if intentional.
Illinois	HB 3773 took effect January 1, 2026. It requires notice when AI influences covered employment decisions and bars discriminatory use. Implementing rules from the Department of Human Rights were still in draft in the source reviewed.	Employers should post notices and keep records. Draft rules call for four-year retention.

Texas	The Responsible AI Governance Act took effect January 1, 2026. It is intent-based, enforced by the attorney general alone, with a 60-day cure period and a safe harbor for entities following the NIST AI Risk Management Framework or a comparable one.	A recognized framework has direct legal value in Texas.
Federal U.S.	A December 2025 executive order created a litigation task force to challenge state AI laws. The White House asked Congress in March 2026 for broad preemption. State laws remain in force unless Congress acts or a court rules otherwise. The Justice Department intervened in xAI's April 2026 suit against Colorado.	Do not assume federal action will remove state duties. Plan for the state laws that exist.

Two cautions apply. First, vendor summaries and law-firm alerts sometimes disagree on details, such as exact compliance dates. Where I relied on a single source, the table says so. Second, this table covers the headline laws only. Sector rules in finance, health care, insurance, and employment can apply to you with no AI-specific statute at all.

The Principle: Build Once, Map Many

Different laws use different words, but they ask for a similar set of things. They want to know what AI you use, what decisions it affects, who is responsible, what you told the people affected, how a human can intervene, and what records prove it.

That commonality is your advantage. Build one program around those questions, then map it to each law as it comes into force. When a date moves, the map changes. The program does not.

See it An inventory of every AI use, including vendor features and unofficial tools.	Sort it Tiers based on the decisions affected and the harm if it goes wrong.	Own it A named person for each system, with authority to pause it.	Prove it Notices, human review, testing, and records you can produce on request.
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Everything else in this playbook supports one of those four moves.

The Readiness Stack

The eight stages below build the program in order. The first four create visibility and control. The last four create the evidence.

Inventory → Tier → Assign Owners → Diligence Vendors → Notices and Review → Records and Testing → Train People → Prepare for Incidents

Stage 1: Inventory Every AI Use

Start by finding out what you have. Most organizations undercount, because AI arrives through four doors.

- **Purchased systems.** Software you bought specifically for its AI capability.
- **Embedded features.** AI added to existing products, such as the hiring platform, the CRM, or the contact center system.
- **Built systems.** Models, agents, and automations your own team developed.
- **Unofficial use.** Tools employees adopt on their own, with company or personal accounts.

What to record for each use

- The business purpose and the team that owns it.
- The vendor, the model or product, and the version.
- The data it uses, including any personal or sensitive data.
- The decisions it informs or makes, and who is affected.
- Where a human reviews or can override it.
- Where it is used by geography, since duties differ by location.

Collect it three ways: Ask department heads, review procurement and software spend, and review network or identity logs for AI services. Employees usually tell you more when the goal is safe use, not punishment.

Treat the inventory as a living record. A quarterly refresh with a clear owner will catch what a one-time survey misses.

Stage 2: Tier by Risk and Decision Impact

Not every use needs the same controls. A grammar checker and a hiring screen are different problems. Sort uses into tiers so effort goes where the exposure is.

Tier	Typical examples	Minimum expectations
High	Employment, lending, insurance, housing, health care, education, or benefits decisions. Systems that materially influence those decisions. Uses that affect minors or involve biometric or sensitive data.	Named owner, documented purpose, notice to affected people, human review and override, testing for bias and accuracy, vendor documentation, records, and periodic reassessment.
Medium	Customer-facing chatbots, content generation shared externally, fraud and risk scoring that a person reviews, agents that act on company systems.	Disclosure that AI is in use, content and accuracy checks, logging, an escalation path, and vendor terms covering data use.
Low	Internal drafting, summarizing, research, code assistance with review, and meeting notes.	Acceptable-use policy, approved tools list, no restricted data, and staff training.

Judge by the decision, not the technology. The same model can be low risk when it drafts an internal memo and high risk when it ranks job applicants. Colorado’s revised law and California’s regulations both focus on consequential or significant decisions, which is the same logic.

Note which EU category might apply too, if you serve EU users. Prohibited practices, high-risk categories, transparency duties, and general-purpose model duties are separate buckets with different dates.

Stage 3: Assign Owners and Accountability

Every system in the medium and high tiers needs a named person who answers for it. A committee is not an owner.

- **System owner.** The business leader accountable for the use, the results, and the controls.
- **Risk or compliance lead.** The person who reviews high-tier uses before launch and sets the standards.
- **Technical steward.** The person who maintains documentation, testing, and logs.

- **Executive sponsor.** A senior leader who receives reports and resolves conflicts.
- **Legal counsel.** Internal or outside, consulted on notices, contracts, and inquiries.

Give owners authority to pause a system. If the person accountable cannot stop a use when problems appear, the accountability is nominal.

The [Agent Governance Playbook](#) covers ownership, boundaries, and off switches for autonomous agents in more detail. Use it alongside this one if you run agents.

Stage 4: Diligence Your Vendors

Most organizations deploy AI built by someone else. The law generally still holds the deployer responsible for how it is used. Colorado's revised law explicitly separates developer duties, such as documentation, from deployer duties, such as notice. The deployer has to ask for what it needs.

What to request from vendors

- **Intended use and known limits.** What the system is designed for and where it fails.
- **Testing evidence.** Accuracy and bias testing, with the method and the date.
- **Data practices.** What data it uses, whether your data trains their models, and retention terms.
- **Subprocessors and locations.** Who else touches the data and where.
- **Change notice.** Advance warning of material model or feature changes.
- **Incident duty.** A commitment to notify you of failures or security events within a stated time.
- **Audit and documentation support.** The right to obtain the records you need to answer a regulator.
- **Regulatory alignment.** Which laws the vendor says the product supports, and what it expects you to do.

Put these in the contract. A questionnaire answered once and filed is weaker than an obligation that renews with the agreement. Treat vendor claims, including compliance claims, as assumptions until you test them.

If a vendor will not provide documentation for a high-tier use, that is itself a finding. Consider a different supplier, or limit the use.

Stage 5: Notices, Disclosures, and Human Review

For high-tier uses, the common thread across Colorado, California, Illinois, and the EU is that affected people should know about the AI, and a person should be able to intervene.

Notices and disclosures

- Tell people when AI is used to make or materially influence a significant decision about them.
- Say what the system does, in plain language, and how to ask for more information.
- Tell people they are talking to an AI when they are, and label synthetic content where required.
- Post required employment notices where applicants and employees will see them.
- Provide an explanation when a decision goes against someone, and a way to ask for review.

Human review that means something

A human in the loop only counts when the human can actually change the outcome. Check that reviewers have the time, information, training, and authority to disagree with the system.

- Define which outcomes always require review, such as adverse decisions.
- Give reviewers the inputs and reasoning, not just the score.
- Track how often reviewers override the system. A rate of zero may signal rubber-stamping.
- Record who reviewed, when, and what they decided.

Rules on opt-outs and appeals vary. California includes an opt-out right for covered automated decisions. Colorado provides for human review and reconsideration of adverse outcomes. Build the process once, then adjust the labels and timelines by jurisdiction.

Stage 6: Records, Testing, and Documentation

When a regulator, a plaintiff, or a customer asks about an AI system, the first question is usually for documents. Records that exist only in someone's memory do not help.

Record	What it should show
System file	Purpose, owner, tier, vendor, version, data used, and approval date.
Risk assessment	Foreseeable harms, who could be affected, and the controls chosen. California requires one for significant-decision systems, with updates after material changes.
Testing results	Accuracy, bias, and robustness testing, with method, date, and findings. Repeat after material changes.
Notices issued	What was disclosed, to whom, when, and where it was posted.
Review log	Human reviews, overrides, and appeals, with outcomes.
Change log	Model, prompt, configuration, and policy changes, and who approved them.
Vendor file	Contracts, documentation, test evidence, and incident commitments.
Incident record	What happened, how it was found, what was done, and what changed.

Retention periods differ. Colorado’s revised act calls for at least three years, and Illinois draft rules call for four. Set a single retention period at the longer end, and confirm it with counsel.

Testing for bias deserves care. Some laws shifted from outcome-based duties toward intent or disclosure, and federal challenges have targeted disparate-impact approaches. Even so, anti-discrimination statutes that predate AI still apply to automated decisions. Test regardless, because a discriminatory result is a business and legal risk however the AI rules evolve.

Stage 7: Train Your People

The EU has expected AI literacy among staff since February 2025, and its Omnibus softened the wording to supporting literacy rather than guaranteeing a level. The direction is clear anyway. People who use AI should understand its limits, the rules, and when to escalate.

- **All staff.** Acceptable use, restricted data, how to check outputs, and how to report problems.

- **Owners and reviewers.** Their duties, how to review meaningfully, and what records to keep.
- **Developers and buyers.** Documentation, testing, and vendor requests.
- **Leaders.** Accountability, reporting, and what to ask.

Keep a record of who completed what and when. The [AI Adoption and Change Management Playbook](#) covers how to make training stick.

Stage 8: Prepare for Incidents and Inquiries

Things will go wrong. A system will produce a harmful output, expose data, or act outside its limits. How you respond is part of compliance.

The past year has shown that regulators are moving from questions about policy to requests for evidence. Eight state attorneys general sued one AI company, the FTC issued subpoenas, and the EU AI Office is questioning labs. Our reports on [AI Under Assault](#) and on [AI incident reporting](#) cover the details.

What your plan needs

- **Detection.** Monitoring and an easy way for staff and customers to report problems.
- **Triage.** A way to rate severity and decide who is told.
- **Containment.** The ability to pause or roll back a system quickly.
- **Notification.** Who must be told, by when: Customers, regulators, insurers, and vendors.
- **Preservation.** Logs, prompts, outputs, and decisions kept intact for investigation.
- **Response owner.** A named lead and a counsel contact.
- **Learning.** A post-incident review that changes the controls.

Run a tabletop exercise once a year with a realistic scenario, such as a biased hiring result or a chatbot giving harmful advice. The gaps show up quickly.

Frameworks That Earn Their Keep

Recognized frameworks give structure and can provide legal value. Do not adopt one for decoration. Pick one that you will actually use.

Framework	What it offers	Where it helps
NIST AI Risk Management Framework	A voluntary structure for governing, mapping, measuring, and managing AI risk.	Texas's law provides a safe harbor from civil penalties for entities following it or a comparable framework, per Haynes Boone's summary. It also gives a common vocabulary.
ISO/IEC 42001	A certifiable management system standard for AI.	Useful when customers or partners ask for external assurance.
EU AI Act requirements and standards	Legal duties by risk category, with technical standards being developed.	Required for covered uses. Align early where you serve EU users.

Frameworks do not replace legal analysis, and following one is not the same as being compliant. Treat them as scaffolding for the program above.

An Illustrative Walkthrough

This example uses invented details. It is not drawn from a real company, and it is not a legal conclusion.

A 600-person staffing firm uses an AI screening feature built into its applicant tracking system. It also has recruiters using an assistant to draft outreach, and a chatbot that answers candidate questions. It hires in Illinois, California, and Colorado, and places some candidates with EU clients.

- **Inventory.** Procurement review finds the screening feature, the chatbot, and four unofficial tools used by recruiters.
- **Tiers.** The screening feature is high tier because it influences hiring decisions. The chatbot is medium. The drafting assistant is low.
- **Owners.** The head of talent acquisition owns the screening feature, with a named technical steward and a counsel contact.
- **Vendor.** The firm asks for testing evidence, data practices, and change notice. The vendor supplies a bias test summary but not the method, so the firm requests it in writing and records the gap.
- **Notices and review.** Job postings and the careers page disclose AI use. Recruiters must review every rejection the system recommends, and the firm tracks overrides.

- **Records.** A system file, test results, a notice log, and review records are stored with a single retention period.
- **Training.** Recruiters complete a short course and managers get a briefing.
- **Incidents.** A tabletop exercise finds that no one can pause the screening feature outside business hours, and the firm fixes that.

The firm does not build a separate program for each state. It builds one, then adds the Illinois posting, the California opt-out process, and the Colorado explanation step as variations.

Where This Breaks

Failure	What it looks like	Fix
Waiting for clarity	No work starts because the rules keep changing.	Build the inventory, tiers, and owners now.
Policy without inventory	A written policy covers tools nobody has listed.	Find the real uses first.
Vendor trust	Compliance is assumed because the supplier says it is covered.	Request documentation and put duties in the contract.
Rubber-stamp review	A person approves every output in seconds.	Give reviewers time, information, and authority, and track overrides.
Notices buried	Disclosures sit in a footer no one reads.	Place notices where decisions are made.
Records on demand	A regulator asks, and the answers live in email threads.	Keep a system file and a change log from the start.
Compliance as a one-time project	A review is done and filed.	Refresh the inventory and tiers quarterly.
Ignoring older laws	Teams focus on AI statutes and miss employment, consumer, and privacy law.	Ask counsel which existing laws already cover each use.

The Readiness Scorecard

Check each item for your highest-tier uses. A gap is a task, not a verdict.

- A current inventory covering purchased, embedded, built, and unofficial AI.
- A tier assigned to each use, based on the decisions affected.
- A named owner with authority to pause each medium and high use.
- Vendor documentation, test evidence, and incident duties on file and in contracts.
- Required notices posted, and an explanation process for adverse decisions.
- Human review defined, resourced, and tracked.
- A system file, risk assessment, test results, and change log for each high use.
- A single retention period set and confirmed with counsel.
- Role-based training completed and recorded.
- An incident plan with a named lead, a pause capability, and a recent exercise.
- A chosen framework, and a mapping to each law you are subject to.
- A review date for the whole program.

A 90-Day Roadmap

DAYS 1 TO 30: SEE AND SORT

- Name an executive sponsor and a program lead.
- Build the inventory from department input, spend, and logs.
- Assign tiers, and flag every high-tier use.
- Ask counsel which laws apply by location and sector.

DAYS 31 TO 60: OWN AND DOCUMENT

- Assign owners and stewards for medium and high uses.
- Send vendor requests, and add duties to renewals.
- Draft notices, review procedures, and the record templates.
- Start the system files for the high-tier uses.

DAYS 61 TO 90: PROVE AND REHEARSE

- Complete testing and risk assessments for the top uses.
- Launch training, and record completion.
- Run an incident tabletop, and fix what it shows.
- Report status to the sponsor, set the quarterly refresh, and map the program to each law.

Do the high-tier uses first and the rest later. A complete record for three important systems is worth more than a thin record for thirty.

Conclusion: Readiness Is a Habit

The rules will keep shifting. Some dates will slip again, some laws will be rewritten, and courts will weigh in. None of that changes the foundation: Know what you use, know what it decides, know who owns it, and be able to show your work.

Inventory → Tier → Assign Owners → Diligence Vendors → Notices and Review → Records and Testing → Train People → Prepare for Incidents

Start with the inventory this month. It is the one step every rule requires, and the one most organizations have not finished.

Compliance dates change. The evidence you can show does not.

Where to Go From Here

Our Compliance Watch reports track the rules as they move, and the companion playbooks cover agent controls, adoption, and measurement. This guide is general information, not legal advice. Confirm specifics with qualified counsel.

[Agent Governance Playbook →](#)[AI Adoption Playbook →](#)[AI ROI Measurement Playbook →](#)[Compliance Watch: Colorado →](#)[Compliance Watch: EU Article 50 →](#)

Sources: Gibson Dunn, *EU AI Act Omnibus Agreement* (May 27, 2026). Usercentrics, *EU AI Act Deal: Digital Omnibus Now in Force* (adoption, signature, and entry into force dates; the page carries an internal inconsistency in its metadata, so confirm against the Official Journal). Skadden, *Colorado Repeals and Replaces Its AI Act* (June 9, 2026). Akin Gump, *New California Regulations Regarding Employer Use of Automated Decision-Making Technology* (December 16, 2025). Hinshaw & Culhane, *Illinois Adopts New AI in Employment Regulations*. Haynes Boone, *Texas Responsible Artificial Intelligence Governance Act: What Businesses Need to Know* (September 9, 2025). Ropes & Gray, *White House Legislative Recommendations* (March 2026). Barnes & Thornburg, *DOJ Intervenes in Lawsuit Challenging Colorado's Algorithmic Discrimination Law* (2026). The walkthrough uses invented details for illustration only. This playbook is general information as of October 2026, not legal advice, and law-firm summaries were not independently checked against statutory text.

Unvarnished Reviews

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