TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Additional Controls Over Noncompetitive Bridge Contracts Are Needed

September 16, 2026

Report Number: 2026-200-055

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Why TIGTA Did This Audit

Federal agencies are generally required to award contracts competitively. However, they are permitted to award noncompetitive contracts under certain circumstances. Bridge contracts are one type of noncompetitive contract. While bridge contracts can be necessary tools, they place the government at risk of overpaying by reducing competition.

Bridge contracts are not defined in the *Federal Acquisition Regulation.* However, the Department of the Treasury (hereafter referred to as the Treasury Department) has issued policies that provide requirements for bridge contracts.

We assessed whether the IRS's use of bridge contracts for Information Technology acquisitions from January through June 2025 met applicable federal policies.

Impact on Tax Administration

In Fiscal Year 2025, out of the IRS's $16.5 billion in contract obligations, more than $8.2 billion were related to Information Technology products or services.

If controls over noncompetitive bridge contracts are not adequate, the IRS runs the risk of overpaying for Information Technology goods or services.

What TIGTA Found

The IRS does not adequately track its use of bridge contracts. We reviewed the use of 19 bridge contracts totaling $192 million for Information Technology products and services. These contracts had starting dates from January through June 2025.

Our review of the contracts found that the IRS did not consistently comply with Treasury Department policy. Specifically:

- Justifications were not consistently signed and maintained in the official contract file. We found that only 32 percent (6 of 19) of the bridge contract justifications were signed and maintained in the contract file, as required. Treasury Department policy requires a justification with sufficient facts and rationale to justify a bridge contract. The justification form must be completed, reviewed, signed, and maintained in the contract file.
- Bridge contracts were not clearly identified as required. Treasury Department policy requires the term "bridge contract" in the Description of Requirement field. However, our review found that only 16 percent (3 of 19) of the contracts fully met this requirement. The remaining 16 contracts did not meet this requirement.
- Bridge contracts exceeded 12 months without proper documentation and approval. We found that 32 percent (6 of 19) of the bridge contracts we reviewed exceeded 12 months. Treasury Department policy requires that a bridge contract shall not exceed 12 months, except for unusual circumstances. The policy also requires that bridge contracts exceeding 12 months be approved by the next level approving authority. However, our review of these six contracts found that this did not occur.

What TIGTA Recommended

We made five recommendations to improve the IRS's ability to identify and support the use of bridge contracts. They included developing a process to identify and notify procurement officials when a justification has not been included in the official contract file; mandatory training for contracting officers; ensuring that bridge contracts are clearly identifiable; developing a process to ensure that bridge contracts that are extended can be easily identified; and ensuring that bridge contracts exceeding 12 months have the signature of the next level approving authority.

The IRS agreed with all five recommendations and stated that it has either implemented or plans to implement corrective actions.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

September 16, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

Diana M. Tengesdal

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Additional Controls Over Noncompetitive Bridge Contracts Are Needed (Audit No.: 2025200019)

This report presents the results of our review to assess whether the Internal Revenue Service's (IRS) use of bridge contracts for Information Technology acquisitions met the applicable federal requirements. This review is part of our Fiscal Year 2026 Annual Audit Plan and addresses the major management and performance challenge of *Modernizing Information Technology*.

Management's complete response to the draft report is included in Appendix II. If you have any questions, please contact me or Linna K. Hung, Assistant Inspector General for Audit (Security and Information Technology Services).

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Background

Federal agencies are generally required to award contracts competitively. However, they are permitted to award noncompetitive contracts under certain circumstances. Bridge contracts are one type of noncompetitive contract. Agencies can extend an existing contract when it is set to expire. Bridge contracts can also be a new, short-term contract awarded on a sole source basis to an existing contractor to bridge the time until the award of a new contract.[1] While bridge contracts can be necessary tools, they place the government at risk of overpaying by reducing competition.

In Fiscal Year 2025, out of the IRS's $16.5 billion in contract obligations, more than $8.2 billion were related to Information Technology products or services. We initiated this audit to assess whether the IRS's use of bridge contracts for Information Technology acquisitions from January through June 2025 met the applicable federal requirements. This period was critical, as federal contracts were under intense scrutiny. For example, in February 2025, the Internal Revenue Service (IRS) participated in the Defend the Spend initiative in response to Executive Order 14222.[2] This initiative was a governmentwide effort led by the Department of Government Efficiency. The goal of the initiative was to eliminate waste, reduce spending, and increase efficiency by eliminating non-essential contracts.

Requirements for bridge contracts

The *Federal Acquisition Regulation* is the primary regulation used by all Executive Branch agencies in their procurement of products and services. However, it does not define a "bridge contract." The *Department of the Treasury Acquisition Procedures* (hereafter referred to as Treasury Department policy) supplements the *Federal Acquisition Regulation*. Treasury Department policy governs procurement at the Department of the Treasury (hereafter referred to as the Treasury Department) and the IRS. This policy contains the following requirements for bridge contracts:

- Standard justification forms are completed, reviewed, and signed. These justifications require the name of the vendor, a description of the supplies or services being acquired, and the estimated dollar amount. The justification also requires a reference to the specific federal regulation being used to support the lack of competition, along with a description of the rationale.
- Bridge contracts must be tracked in a specific manner. Specifically, it requires the term "bridge contract" in the Description of Requirement field within the Federal Procurement Data System. This is the authoritative repository for government contract award data and is available to the public. Data from IRS procurement systems is used to populate this external data repository.

[1] Sole source is defined as a contract for the purchase of products or services that is entered into or proposed to be entered into by an agency after soliciting and negotiating with only one source.

[2] *Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative*, E.O. 14222, 90 Fed. Reg. 11095 (February 26, 2025).

- Bridge contracts do not exceed 12 months, except in unusual circumstances. Treasury Department policy does not define an unusual circumstance. However, an unusual circumstance requiring a bridge contract must be documented in the justification and approved by the next level approving authority.

Prior audit concerns

Our prior audits have consistently identified deficiencies in the IRS's contract documentation. Despite these repeated findings, recommendations, and actions taken to correct them, the deficiencies in the contract documentation continued. For example, in September 2025, we reported that all 28 contracts we sampled lacked required documentation and did not meet *Federal Acquisition Regulation* requirements.[3] These recurring issues indicate a general lack of proper managerial oversight in the contract documentation processes.

Results of Review

Documentation Requirements for Bridge Contracts Were Not Always Met

The IRS does not adequately track its use of bridge contracts. We analyzed procurement records to identify bridge contracts used for Information Technology products and services. We reviewed the use of 19 bridge contracts totaling $192 million for Information Technology products and services. These contracts had starting dates from January through June 2025. We identified 11 bridge contracts by searching for the term "bridge" in the IRS's contract writing system. The IRS also provided eight additional bridge contracts that did not have the term "bridge" in the IRS's contract writing system.

Our review of the 19 bridge contracts found that the IRS did not consistently comply with Treasury Department policy. However, because the IRS does not adequately track its use of bridge contracts, there may be additional bridge contracts that were executed during this time that we did not identify in procurement records.

Justifications for bridge contracts were not consistently signed and maintained

Treasury Department policy requires a justification with sufficient facts and rationale to justify a bridge contract. The justification form must be completed, reviewed, signed, and maintained in the contract file.

Figure 1 shows the results of our review of the required justifications for the 19 bridge contracts.

[3] TIGTA, Report No. 2025-108-052, *Despite Previous Recommendations, Contract Documentation Issues Persist* (September 2025).

Figure 1: Only Six Bridge Contracts Had the Required Justifications in the Contract File

Justifications	Contracts		Obligation
Missing signatures and/or **not maintained** in the contract file.	11		$119.5 M
Signed and maintained in the contract file.	6		$53.0 M
Could **not be located.**	2		$19.5 M
Total	**19**	**100%**	**$192 M**

Source: Analysis of bridge contracts with a period of performance start date occurring from January through June 2025.

According to contracting officers we met with, the signed justifications are not always maintained in the official contract file because it is a cumbersome and a manual process that requires employees to upload the same documentation into multiple systems. While there is a checklist that can be used, the potential for human error and use of multiple systems makes it more difficult to ensure compliance.

Bridge contracts were not clearly identified as required

Treasury Department policy requires the term "bridge contract" in the Description of Requirement field within the Federal Procurement Data System. However, our review found that only 16 percent (3 of 19) of the contracts fully met this requirement. The remaining 16 contracts did not meet the requirement.

Procurement officials agreed that bridge contracts were not clearly identified as required. According to contracting officers and procurement officials, the contracts were not identified because:

- Multiple places in the current contract writing system allow for a description, leading to confusion.[4]
- Newer employees may not be as knowledgeable about Treasury Department policies for bridge contracts.
- Character limitations in the Description of Requirement field in the Federal Procurement Data System resulted in truncated data, *i.e.*, not all data are transferred from the IRS's contract writing system. In addition, the field can be continuously updated, meaning that an initial entry meeting the Treasury Department requirement may be overwritten.

Bridge contracts exceeded 12 months without proper documentation and approval

Treasury Department policy requires that a bridge contract shall not exceed 12 months, except for unusual circumstances. The unusual circumstances requiring a bridge contract must be documented in the justification and approved by the next level approving authority. The next level approving authority for each contract is different and depends on the contract amount.

[4] The IRS's contract writing system contains procurement data. The official contract file is also housed within the contract writing system. Data from this system is used to populate data within the Federal Procurement Data System.

We found that 32 percent (6 of 19) of bridge contracts we reviewed exceeded 12 months. These 6 contracts had obligations totaling $67 million. We also found that 4 of the 6 contracts exceeded 12 months at the time of the contract, *i.e.*, the bridge contract was initially executed for more than 12 months. The remaining 2 contracts were extended into a second bridge contract, exceeding 12 months in total. Our review of the justifications for all 6 contracts found that they did not contain documentation and/or approval of the unusual circumstances requiring the bridge contracts to exceed 12 months.

These bridge contracts exceeded 12 months because contract extensions are not linked to the previous contracts when executed. According to procurement officials, if a bridge contract needs to be extended, a new contract number is issued. Further, the new contract number and the prior contract numbers are not associated with each other in the contract writing system. As a result, it is difficult for procurement officials to monitor the IRS's compliance with Treasury Department policy because multiple bridge contracts would not be tied to each other in the contract writing system. This also impeded our ability to fully test the IRS's compliance that bridge contracts did not exceed 12 months, and to evaluate any follow-on contract actions.

The IRS plans to implement a new contract writing system during Calendar Year 2026. According to the project manager, the system has the capability to systemically check for required justifications. However, due to limitations on the number of custom fields that the IRS can add, this capability will not be included. This is because these custom fields are shared between all Treasury Department bureaus for the new contract writing system. As a result, there are no plans to modify the new contract writing system to include additional controls for bridge contracts.

Failing to maintain documentation required by Treasury Department policy to support the use or extending the use of bridge contracts weakens the IRS's ability to support its procurement decisions. The lack of documentation could also present concerns during legal challenges, such as bid protests.[5] In addition, using bridge contracts frequently or for prolonged periods increases the risk that the government could overpay for products and services due to a lack of competition.

The Acting Chief Procurement Officer issued a memo in April 2026 to employees reemphasizing that Treasury Department policy requires that the Description of Requirement field in the Federal Procurement Data System include the term "bridge contract." The memo also noted that bridge contracts exceeding 12 months will be approved by the next level approving authority.

Although the IRS has taken steps to address some concerns identified during the audit, we believe that additional steps are needed to ensure that the IRS meets the requirements in the Treasury Department's policy to support the use of bridge contracts.

The Chief Procurement Officer should:

Recommendation 1: Develop a process to identify and notify procurement officials when required justifications are not included in the official contract file. This process should include systemic reviews and notifications when required documentation is missing.

> **Management's Response:** IRS management agreed with this recommendation and stated that it conducts post-award reviews for contracts valued over the simplified

[5] A bid protest is a challenge to the terms of a solicitation, the award or the proposed award of a contract for the procurement of goods or services.

acquisition threshold to ensure that required documentation is included in the contract file. Procurement also plans to develop a notification process when required documentation is missing.

Recommendation 2: Develop and deliver mandatory training on bridge contracts to all contracting officers.

Management's Response: IRS management agreed with this recommendation and plans to develop and deliver training to ensure compliance with established policies and regulations related to bridge contracts for all contracting officers.

Recommendation 3: Ensure that bridge contracts are clearly identifiable within IRS procurement system(s) and the Federal Procurement Data System. This should include resolving any truncation and overwriting issues.

Management's Response: IRS management agreed with this recommendation and stated that they are working with the new procurement contracting system contractors to implement functionality that identifies and tracks bridge contracts. In the interim, the procurement office started identifying bridge contracts and requiring supporting justifications in the Treasury Requirements Approval and Coordination System. In addition, the procurement office established a review team to verify that the description of requirements field includes "bridge contract," when applicable.

Recommendation 4: Ensure that bridge contracts that are extended can be easily identified in the procurement data and traced to the original bridge contract.

Management's Response: IRS management agreed with this recommendation and stated that they are working with the new procurement contracting system contractors to implement functionality that will identify, track, and potentially link the bridge contract to the original contract of record. In the interim, the procurement office is using the Treasury Requirements Approval and Coordination System to identify bridge contracts that may have been extended beyond the original performance period. If continued services are still required beyond 12 months, a new bridge contract will be established, not an extension of the original bridge contract.

Recommendation 5: Develop and implement necessary control(s) to ensure that all bridge contracts exceeding 12 months have the signature of the next level approving authority.

Management's Response: IRS management agreed with this recommendation and stated that procurement uses the Treasury Requirements Approval and Coordination System to identify extension requests beyond the original 12-month performance period, maintain justifications, as well as ensure that all approval levels have been completed before issuance of a bridge contract.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess whether the IRS's use of bridge contracts for Information Technology acquisitions met the applicable federal requirements. To accomplish our objective, we identified IRS bridge contracts with starting dates from January through June 2025 and:

- Determined whether the IRS followed applicable policies and procedures for justifying the use of, and complied with the requirements for reporting, Information Technology bridge contracts.
- Evaluated whether the IRS had appropriate policies and procedures established for extending Information Technology bridge contracts.

Performance of This Review

This review was performed with information obtained from the Office of the Chief Procurement Officer located in Washington, D.C., during the period September 2025 through June 2026. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Data Validation Methodology

During this review, we obtained extracts from the IRS's Procurement for Public Sector data and the Acquisition Workflow Approval Routing Efficiency system to identify IRS bridge contracts that were in effect from January through June 2025. Before relying on the data, we ensured that selected data in each file reconciled to the source system. We performed tests to assess the reliability of the data by electronically testing data elements to source systems and coordinating with IRS subject matter experts to verify that our data accurately reflected bridge contracts within the scope of our review. We determined that the data were sufficiently reliable for purposes of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: The process for organizing, directing, and controlling procurement operations for the issuance of the bridge contracts. We evaluated these controls by evaluating bridge contract documents, meeting with management officials and contracting officers in the Office of the Chief Procurement Officer and reviewing relevant IRS procedures and guidance documents.

Appendix II

Management's Response to the Draft Report

CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

September 2, 2026

MEMORANDUM FOR DIANA M. TENGESDAL
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Todd R. Newnam
Chief Financial Officer

Todd R. Newnam

Digitally signed by Todd R. Newnam
Date: 2026.09.02 17:27:07 -04'00'

SUBJECT: Draft Audit Report – Additional Controls Over Noncompetitive Bridge Contracts Are Needed (Audit #2025200019)

The Internal Revenue Service (IRS) appreciates the opportunity to review and respond to the draft audit report. The IRS recognizes the importance of tracking bridge contracts and maintaining effective controls to identify them and enforce Treasury policies governing their use. We are committed to ensuring accountability and policy compliance when acquiring information technology assets and services.

The report acknowledges that the IRS took steps during the audit to address some concerns, including issuing an April 2026 memorandum to employees reemphasizing Treasury requirements for bridge contract identification and next-level approval.

Management agrees with Recommendations 1 - 5. The attachment provides the IRS's detailed response to each recommendation.

The IRS appreciates the continued oversight and review provided by your office. If you have any questions, please contact me or a member of your staff may contact Courtney Williams, Coordinating Director, Strategy & Product Management, at (409) 801-0209.

Attachment

Attachment

Additional Controls Over Noncompetitive Bridge Contracts Are Needed
(Audit No.: 2025200019)

Recommendations

RECOMMENDATION 1: The Chief Procurement Officer should develop a process to identify and notify procurement officials when required justifications are not included in the official contract file. This process should include systemic reviews and notifications when required documentation is missing.

CORRECTIVE ACTION 1: The IRS agrees with this recommendation. The Chief Procurement Officer (OCPO) conducts post-award reviews for contracts valued over the simplified acquisition threshold to ensure required documentation is included in the contract file. OCPO will develop a notification process when required documentation is missing.

IMPLEMENTATION DATE: October 15, 2026

RESPONSIBLE OFFICIAL(S): Chief Procurement Officer

RECOMMENDATION 2: The Chief Procurement Officer should develop and deliver mandatory training on bridge contracts to all Contracting Officers.

CORRECTIVE ACTION 2: The IRS agrees with this recommendation. The Chief Procurement Officer (OCPO) will develop and deliver training to ensure compliance with established policies and regulations related to bridge contracts for all Contracting Officers (CO).

IMPLEMENTATION DATE: November 15, 2026

RESPONSIBLE OFFICIAL(S): Chief Procurement Officer

RECOMMENDATION 3: The Chief Procurement Officer should ensure that bridge contracts are clearly identifiable within IRS procurement system(s) and the Federal Procurement Data System. This should include resolving any truncation and overwriting issues.

CORRECTIVE ACTION 3: The IRS agrees with this recommendation.
In the interim, as of April 2025, OCPO began identifying bridge contracts and requiring supporting justifications in the Treasury Requirements Approval and Coordination System (TRACS). OCPO subject matter experts (SMEs) are working with the new procurement contracting system contractors to implement functionality that identifies and tracks bridge contracts. Additionally, OCPO established a Federal Procurement Data System (FPDS) Contract Action Record (CAR) review team to verify that the description of requirements field includes "bridge contract," when applicable.

IMPLEMENTATION DATE: November 13, 2026

RESPONSIBLE OFFICIAL(S): Chief Procurement Officer

RECOMMENDATION 4: The Chief Procurement Officer should ensure that bridge contracts that are extended can be easily identified in the procurement data and traced to the original bridge contract.

CORRECTIVE ACTION 4: The IRS agrees with this recommendation.
In the interim, as of April 2025, OCPO uses the TRACS to identify bridge contracts that may have been extended beyond the original performance period. FAR indicates that bridge contracts should not exceed 12 months, therefore no extended bridge contract should exist. If continued services are still required beyond 12 months, a new bridge contract will be established, not an extension of the original bridge contract. OCPO SMEs are working with the new procurement contracting system contractors to implement functionality that will identify, track, and potentially link the bridge contract to the original contract of record. Enabling the linking functionality; will potentially allow subsequent contracts to be automatically tracked as part of the original contracting record.

IMPLEMENTATION DATE: November 13, 2026

RESPONSIBLE OFFICIAL(S): Chief Procurement Officer

RECOMMENDATION 5: The Chief Procurement Officer should develop and implement necessary control(s) to ensure that all bridge contracts exceeding 12 months have the signature of the next level approving authority.

CORRECTIVE ACTION 5: The IRS agrees with this recommendation.
OCPO uses TRACS to identify extension requests beyond the original 12-month performance period, maintain justifications, as well as ensure all approval levels have been completed before issuance of a bridge contract.

IMPLEMENTED: April 9, 2026

RESPONSIBLE OFFICIAL(S): Chief Procurement Officer

To report fraud, waste, or abuse,
contact our hotline on the web at
https://www.tigta.gov/reportcrime-misconduct.

To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at
TIGTACommunications@tigta.treas.gov.

Information you provide is confidential, and you may remain anonymous.