

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Contracting and Security Controls Were Not Followed While Expediting the Procurement Hub

September 29, 2026

Report Number: 2026-200-060

HIGHLIGHTS: Contracting and Security Controls Were Not Followed While Expediting the Procurement Hub

Final Audit Report issued on September 29, 2026

Report Number 2026-200-060

Why TIGTA Did This Audit

Beginning in January 2025, the President issued three executive orders that directed federal agencies to evaluate and, where necessary, eliminate contracts to reduce overall federal spending. This process is referred to as the Defend the Spend initiative.

In April 2025, the IRS procured a new platform (hereafter referred to as the Procurement Hub), through 3 contract orders totaling nearly \$5 million. In May 2025, the IRS started using the Procurement Hub to track and report all Defend the Spend contract rationalization decisions.

This audit evaluated the IRS's implementation and management oversight of the new Procurement Hub.

Impact on Tax Administration

The Defend the Spend initiative began because of a Presidential directive to eliminate waste, reduce spending, and increase efficiency by eliminating non-essential contracts. The IRS was required to report the results of the contract rationalization decisions to the Department of the Treasury on a recurring basis.

When the IRS implements new systems, it is critical that established security protocols are followed. Without doing so, IRS systems and their data are susceptible to unauthorized access, manipulation, and disclosure.

What TIGTA Found

We found that the expedited procurement and deployment of the Procurement Hub bypassed key preventive controls. For example, the third contract for the Procurement Hub, valued at \$4.5 million did not include clear milestones or deliverables for the engineering services. The IRS also paid the vendor in full at the beginning of the period of performance. According to the IRS, this was because the contract was a software licensing contract and those costs are paid upfront. In addition, the IRS did not complete sufficient market research before awarding the \$4.5 million contract, despite a significant price increase from the first 2 contracts. The third contract expires in September 2026. Additional market research could prevent future potentially unnecessary spending.

Furthermore, the IRS bypassed key security controls for the new Procurement Hub. For example, the Procurement Hub was deployed without properly assessing and documenting the risk of adding the system to an existing analytic platform environment. In addition, most Procurement Hub users were allowed to bypass the IRS's access control system.

Federal agencies are required to establish and maintain effective internal controls. Preventive controls are a type of control designed to avoid unintended events or results from occurring. Types of these controls include establishing milestones or deliverables and not paying for contracts in full at the beginning of the period of performance.

Weak preventive controls can lead to a lack of accountability and a wide range of consequences. For example, inaccurate or incomplete information, waste, or misuse of resources. According to our discussions with a Procurement Office official and a senior IRS official, the primary reason for bypassing preventive controls was the rush to get the Procurement Hub operational.

On September 21, 2026, after we issued our draft report, the Procurement Office announced the decision to sunset the Procurement Hub, terminating access on September 23, 2026. The goal is to transition the Procurement Hub's functionalities to an existing platform by December 31, 2026.

What TIGTA Recommended

We made three recommendations to the IRS, including to ensure that future service contracts include milestones, deliverables, *etc.* for engineering services and to complete sufficient market research before the third contract expires in September 2026. Finally, we recommended that the IRS ensure that the Authorizing Official reviews and signs an updated authorization package.

IRS management agreed or partially agreed to all three recommendations and stated that they either have or plan to implement corrective actions.



**TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION**

**U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024**

September 29, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Contracting and Security Controls Were Not
Followed While Expediting the Procurement Hub
(Audit No.: 2025200018)

This report presents the results of our review to evaluate the implementation and oversight of the Procurement Hub platform used for the Internal Revenue Service's (IRS) Defend the Spend initiative. This review is part of our Fiscal Year 2026 Program 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 III. 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

Beginning in January 2025, the President issued three executive orders that directed federal agencies to evaluate and, where necessary, cancel or modify contracts to reduce overall federal spending. Figure 1 outlines the three executive orders.

Figure 1: Executive Orders Impacting Federal Contracts

Date	Order Number	Title
January 20, 2025	14151	<i>Ending Radical and Wasteful Government Diversity Equity and Inclusion Programs and Preferencing</i>
February 26, 2025	14222	<i>Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative</i>
March 20, 2025	14240	<i>Eliminating Waste and Saving Taxpayer Dollars by Consolidating Procurement</i>

Source: *The Federal Register*.

In February 2025, the General Services Administration issued a memorandum that referred to the contract evaluation directive as "Defend the Spend" (DTS). In response, the Internal Revenue Service (IRS) participated in the DTS initiative starting in February 2025. This was a governmentwide effort initiated by the Department of Government Efficiency. The goal of this initiative was to eliminate waste, reduce spending, and increase efficiency by eliminating non-essential contracts. In March 2026, we issued a report assessing the impact of the IRS's contract cancellations.¹

Management officials from the IRS Office of the Chief Procurement Officer (hereafter referred to as the Procurement Office) stated that the General Services Administration provided the Department of the Treasury (hereafter referred to as the Treasury Department) with guidance and a list of contracts that were identified for possible termination. The Treasury Department forwarded the list of contracts and guidance to the IRS. The Procurement Office worked with the IRS's business units to identify the mission critical contracts that were not to be terminated. The IRS was also asked to self-identify additional contracts that could be terminated.

As part of the DTS initiative, the IRS was required to report the results of the contract rationalization decisions to the Treasury Department on a recurring basis. The Treasury Department used this information to report Treasury-wide information to the General Services Administration. The IRS relied on spreadsheets to document its DTS decisions. According to the Treasury Department Senior Procurement Executive and a senior IRS official at the time of the DTS initiative, the IRS had to pull data from multiple systems. Thus, it was difficult to provide consistent and accurate responses to DTS data calls. Contract rationalization decisions and contract details were reported inconsistently to the Treasury Department from week to week. According to a senior IRS official, the Procurement Hub was deployed to improve the accuracy of reporting for data calls during the DTS initiative.

¹ TIGTA, Report No. 2026-150-015, *The IRS Cancelled Contracts Potentially Saving Hundreds of Millions of Dollars, but the Impact on Taxpayer Service Remains Unknown* (March 2026).

Overview of the Procurement Hub

In April 2025, the IRS procured and deployed the Procurement Hub using an existing Blanket Purchase Agreement from September 2018. Blanket Purchase Agreements are a simplified contracting method that establishes charge accounts for recurring needs with qualified vendors.

The IRS signed three different contracts with a single vendor for the Procurement Hub:

- April 2025 through July 2025 for \$250,000. This was the initial contract for the Procurement Hub. The scope of this contract was for the contractor to develop software to support tracking, reporting and traceability of various data elements necessary to make decisions.
- July 2025 through September 2025 for \$250,000. This contract was executed to extend the period of performance through September 2025.
- September 2025 through September 2026 for \$4.5 million. This contract incorporated artificial intelligence capabilities into the Procurement Hub.

In May 2025, the IRS started using the Procurement Hub to track and report all DTS contract rationalization decisions. The Procurement Hub consolidates three data sources to create a more comprehensive and accurate record for each contract. The Procurement Hub was also used to document communication between individuals within the IRS's Procurement Office as well as the customers in the IRS business units and the Treasury Department.

Results of Review

Expedited Procurement and Deployment of the Procurement Hub Resulted in Bypassing Preventive Controls

The final Procurement Hub contract was executed without sufficient market research and defined deliverables

As previously noted, the IRS executed three contracts for the development of the Procurement Hub. The Blanket Purchase Agreement allowed the IRS to expedite the contracting process with the vendor. However, we identified concerns with the September 2025 contract executed with the vendor. Specifically, we are concerned that the third contract did not include clear milestones or deliverables for the vendor's engineering services.² The IRS also paid the vendor in full at the beginning of the period of performance. In addition, we found that the IRS did not complete sufficient market research before awarding the contract, despite a significant price increase.

No clear milestones or deliverables for services were included in the September 2025 contract

Part 46 of the Federal Acquisition Regulation requires measurable outcomes and performance standards. It also requires assessment methods to ensure that vendors will meet desired results.

² See Appendix IV for a glossary of terms.

However, the IRS did not establish clear milestones or deliverables for the engineering services in the September 2025 contract to allow the IRS to track the vendor's progress to meet the requirements. The September 2025 contract for the Procurement Hub included line items for both software licensing and engineering services. According to a senior IRS official, milestones and deliverables were not necessary since this was a software licensing contract. We agree that milestones and deliverables are not necessary for the software licensing portion of the contract. However, we believe that they are necessary for the engineering services portion to ensure that the IRS can:

- Track the vendor's progress to deliver the requirements outlined in the contract. For example, incorporating data analytics and artificial intelligence capabilities into the Procurement Hub.
- Evaluate whether the work is being completed timely.
- Determine whether the IRS received the value paid for the engineering services.

In April 2026, Executive Order 14402, *Promoting Efficiency, Accountability, and Performance in Federal Contracting*, was issued. The order noted that to the maximum extent possible, agencies should use fixed-price contracts. These types of contracts are characterized by clearly defined outcomes and deliverables on predictable timelines, which encourages contractors to control costs and expeditiously meet deliverables.

The IRS paid the vendor the full \$4.5 million in October 2025, at the beginning of the period of performance. According to the IRS, this was because the contract was a software licensing contract and those costs are paid upfront. However, as noted above, the contract included line items for both software licensing and engineering services. Therefore, an upfront payment for the engineering services portion (\$651,000) of the contract was not appropriate. Further, paying in full limits the IRS's recourse if the vendor does not fulfill the requirements of the contract.

Recommendation 1: The Chief Procurement Officer should ensure that all future service contracts include milestones, deliverables, and/or more stringent performance monitoring for engineering services.

Management's Response: The IRS agreed with this recommendation. The Office of the Chief Procurement Officer will ensure that Performance Work Statements, contract award, and contract administration documents include all appropriate elements to align deliverables, milestones, and associated performance monitoring requirements.

Sufficient market research was not completed after the vendor's introductory pricing ended

Part 10 of the Federal Acquisition Regulation states that agencies should conduct market research on an ongoing basis to identify vendors who can meet the needs of the government. This allows the IRS to assess market prices and ensures that IRS resources are spent efficiently. The IRS leveraged an existing Blanket Purchase Agreement to award the first two contracts. The vendor offered introductory pricing totaling \$500,000 for the first 6 months. According to a senior IRS official, it was cost effective for the IRS to execute the first two contracts with the

vendor because their pilot pricing was fair. However, the vendor no longer offered the introductory pricing for the third contract, and the price increased to \$4.5 million for 12 months.

The DTS initiative was completed before the third contract was issued. However, the IRS continued to explore Procurement Hub capabilities, such as using artificial intelligence for acquisition planning. Despite the increased pricing and the completion of the DTS initiative, the IRS did not complete relevant market research for Procurement Hub capabilities to identify other potential vendors before awarding the third contract. Market research is the process of gathering and analyzing information about capabilities within the market by reviewing potential suppliers, products, and services to inform procurement decisions. It plays a crucial role in ensuring that the government gets the best value for its money while meeting its mission critical needs. We have previously reported that market research documentation was a key pre-award contract document that was either missing or incomplete.³ Specifically, in September 2025, we reported that 61 percent of the contract files we reviewed had missing or incomplete market research.

According to Procurement Office officials, they relied on the market research completed for the Blanket Purchase Agreement. Part 10 of the Federal Acquisition Regulation allows the use of market research conducted within 18 months before the award of any task or delivery order if the information is still current, accurate, and relevant. Our review of the market research completed for the Blanket Purchase Agreement did not identify research for the Procurement Hub. The market research completed was specific to the needs of the IRS's Criminal Investigation for its Lead Case and Analytics solution. Therefore, we conclude that the IRS did not conduct sufficient market research for the Procurement Hub.

In May 2026, a Procurement official stated that the IRS was beginning market research in anticipation of the third contract expiring in September 2026. In July 2026, a Procurement Office official stated that the IRS's third contract for the Procurement Hub would not be extended. However, the IRS had not completed market research. Market research includes identifying sources capable of meeting the agencies' requirements. In deciding the future of the Procurement Hub or a similar tool, the IRS's research should include consultation with the Treasury Department. This would ensure that there is no overlap or duplication of efforts associated with similar tools that may be considered for the Treasury Department or its other bureaus.

On September 21, 2026, after we issued our draft report, the Procurement Office announced the decision to sunset the Procurement Hub, terminating access on September 23, 2026. The goal is to transition the Procurement Hub's functionalities to an existing platform by December 31, 2026.

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

Recommendation 2: The Chief Procurement Officer should identify Procurement Office needs and complete sufficient market research before the third contract expires in September 2026.

Management's Response: The IRS partially agreed with this recommendation. The Office of the Chief Procurement Officer stated that they identified procurement office needs and completed market research prior to the expiration of the Procurement Hub order. The order will expire on September 23, 2026, the end of the period of performance.

Established security protocols were bypassed for the new Procurement Hub

We found that the IRS bypassed established security protocols that are designed to protect systems and the information in them.

The Procurement Hub was deployed without properly assessing and documenting the risk

The IRS failed to properly assess, document, and accept the risk of making a significant change to an existing environment. The IRS deployed the Procurement Hub within the Selection and Analytic Platform (hereafter referred to as the analytic platform) environment in April 2025. The analytic platform was authorized to operate in June 2023. However, the IRS did not follow the National Institute for Standards and Technology (NIST) requirements to submit an updated authorization package to the Authorizing Official for approval.⁴

NIST requires an updated authorization in the following circumstances:⁵

- **Change in the Authorizing Official.** The IRS changed the Authorizing Official for the analytic platform in April 2025. Therefore, an updated authorization should have been completed at that time.
- **Significant changes to the system.** The IRS added the Procurement Hub to the analytic platform, which changed the type of information being processed and stored. According to NIST, significant changes to the system include modifications to how information is processed; changes in information types processed, stored, or transmitted by the system; or modifications to security and privacy controls.
- **Significant changes to the operational environment.** The IRS also added a new mission to the analytic platform by adding the Procurement Hub (*i.e.*, consolidating contract data). This was not previously part of analytic platform's core mission. According to NIST, significant changes to the system include adding new core missions or business functions.

According to an Office of Information Technology official, an updated authorization was not completed because the Procurement Hub was a pilot project and not a new system. However, NIST requirements do not exclude pilot projects from their requirements. In fact, the IRS followed NIST requirements during the development of other recent pilot projects, such as the Direct File Pilot.

⁴ An authorization package records IRS management's decision to authorize operation of a system or platform at an accepted level of security risk.

⁵ NIST, Special Publication 800-37, Revision 2, *Risk Management Framework for Information Systems and Organizations*, (December 2018).

Based on our review of NIST standards, we believe the changes to the analytic platform were significant and a new authorization package should have been completed, however, this was not done. The IRS's failure to properly assess and document the risk of making significant changes places the IRS at risk for potential security vulnerabilities.

Recommendation 3: The Chief Information Officer should ensure that the analytic platform Authorizing Official reviews and signs an updated authorization package, which reflects the addition of the Procurement Hub to the analytic platform environment.

Management's Response: The IRS agreed with this recommendation. The CIO will ensure that the Procurement Hub is either retired or transitioned from the Selection and Analytics Platform authorization boundary to an existing authorized security boundary or established as a separate security authorization boundary by September 23, 2026.

Most Procurement Hub users were allowed to bypass the IRS's access control system

IRS procedures require the use of the Business Entitlement Access Request System (BEARS) to request and remove users' access to IRS systems through entitlements. An entitlement is the type of access or permission a user has when logging into an application. BEARS requires both a user's manager and the system administrator to approve a user's request before access is granted. This process helps to ensure that the IRS meets the NIST access control requirements.⁶ According to a senior IRS official, the IRS initially allowed a limited set of users to access the Procurement Hub after they obtained a BEARS entitlement for the analytic platform. Our review of the 1,017 employees who had access to the Procurement Hub as of September 2025 found that:

- 94 percent (959 out of 1,017) did not use the BEARS entitlement for the Procurement Hub.
- 6 percent (58 out of 1,017) did have a BEARS entitlement for the Procurement Hub.

NIST requires that access is only granted to users who have a valid need to access a system based on their defined role. Further review of the 58 users who went through the BEARS process found that the entitlements granted for the Procurement Hub did not meet NIST requirements. This is because the BEARS entitlement for these users did not reflect the users' actual access. The IRS initially only established one BEARS entitlement for the Procurement Hub. The BEARS entitlement did not distinguish between the 17 user groups and their different data access needs. For example, 1 of the 58 users may have had administrator access, but this was not reflected in the BEARS entitlement.

According to a senior IRS official, using the BEARS to control access to the Procurement Hub was excessive and an unnecessary extra step, since the Procurement Hub is located behind another BEARS entitlement. The IRS's contractor stated that the non-public data could not be accessed without getting additional permissions from the Procurement Office. However, according to the IRS's contractor, 1,083 of the Procurement Hub users were added to a group with access to non-public data.

However, the IRS's internal guidelines require the use of the BEARS to register all users that require access to any IRS system. In addition, the Chief Information Officer, who is responsible

⁶ NIST access controls are designed to ensure that the right personnel have access to the right resources at the right time, thereby protecting information integrity, confidentiality, and availability.

for ensuring that the IRS's systems are secure, stated that the BEARS should not be bypassed and was unaware that this occurred.

While most of the data stored in the Procurement Hub were also publicly available, contract documents may contain sensitive or proprietary information that should be protected from unauthorized disclosure. Therefore, it is important that access control requirements are not bypassed. When they are, it exposes the IRS's systems and their data to potential unauthorized access, manipulation, and disclosure.

Management Action: In May 2026, the IRS Procurement Office established new BEARS entitlements for the Procurement Hub to meet the IRS's access controls requirements. All existing users were required to request a new BEARS entitlement, or have their access revoked. According to a representative from the Office of Information Technology, 171 users had access to the Procurement Hub in July 2026.⁷

The IRS did not follow the least privilege principle as required

Per IRS policy, users should only be authorized access that is necessary to accomplish their assigned tasks. This is referred to as the least privilege principle. However, we found that the IRS did not follow this requirement. Our review of audit logs found that 89 percent (903 of the 1,017) of individuals with access to the Procurement Hub did not access it from April through September 2025. This is an indication that they may not have needed access. The remaining 11 percent (114 of the 1,017) of individuals that accessed the Procurement Hub were part of the 959 individuals that did not use the BEARS to obtain access. According to a Procurement Office official, access to the Procurement Hub was granted based upon the business units identifying employees that "may" need access for the respective contracts in question.

Inactive accounts were not disabled as required

IRS policy also requires that user accounts be disabled after 120 days of inactivity. As previously noted, 89 percent of accounts were inactive for at least 164 days. None of these accounts were disabled as required. This could lead to additional security risks, especially if a bad actor gains access to one of the dormant user accounts.

Had BEARS been used, individual users and their supervisors would have had to confirm that access to the Procurement Hub was still needed. This would have prevented user accounts from being inactive for more than 120 days. However, because BEARS was not used, these access controls were also bypassed.

We discussed these concerns with Procurement Office officials in December 2025. We recommended that relevant officials disable user accounts with access to the Procurement Hub and create BEARS entitlements that align with the individuals' access needs. We also recommended that current and future users complete the BEARS process and use the appropriate entitlement to gain access to the Procurement Hub.

Preventive controls were bypassed due to expedited time frames

Office of Management and Budget Circular Number A-123, *Management's Responsibility for Internal Control*, requires that federal agencies establish and maintain effective internal controls.

⁷ A Procurement Hub user may have access to more than one of the eight BEARS entitlements. Therefore, the 171 users may not be unique individuals.

Preventive controls are a type of control designed to avoid unintended events or results from occurring. Establishing milestones or deliverables and not paying for contracts with engineering services in full at the beginning of the period of performance are types of preventive controls. Similarly, access controls and least privilege access are also types of preventive controls. Weak preventive controls can lead to a lack of accountability and a wide range of consequences. For example, inaccurate or incomplete information, waste, or misuse of resources.

According to our discussions with a Procurement Office official and a senior IRS official, the primary reason for bypassing preventive controls (*e.g.*, contract milestones and bypassing access control requirements) was the rush to get the Procurement Hub operational. This was at the direction of a senior IRS official. Bypassing preventive controls can lead to a lack of accountability and a wide range of consequences, such as inaccurate or incomplete information to waste or misuse of resources.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate the IRS's implementation and oversight of the Procurement Hub platform used for the IRS's DTS initiative. To accomplish our objective, we determined whether the IRS:

- Implemented proper controls in Procurement Hub contracts.
- Ensured that all Procurement Hub users followed required system access controls (*i.e.*, the BEARS) to request and gain access to the Procurement Hub.
- Followed required security policies and procedures for the development and deployment of the Procurement Hub.

Performance of This Review

This review was performed with information obtained from IRS personnel within the Office of Information Technology located in Lanham, Maryland, and the Procurement Office located in Washington, D.C., during the period August 2025 through July 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

We performed tests to assess the reliability of the following data:

- Procurement Hub user Standard Employee Identifiers obtained via an extract from the IRS's Procurement Office as of September 2025.
- BEARS data obtained by matching the Procurement Hub users to BEARS for a specific entitlement in September 2025.
- Treasury Integrated Management Information System data located on our Data Center Warehouse as of July 2025.
- Single Entry Time Reporting System data extracted each pay period through July 2025.
- Audit trail data obtained directly from the IRS's audit log repository.
- Procurement Hub data extracted directly from the IRS's Procurement Hub.

We evaluated the data by (1) performing electronic testing of required data elements, (2) reviewing existing information about the data and the system that produced them, and/or (3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the 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 processes and procedures for authorizing a new information system into the production environment, the processes and procedures for requesting access to an information system; and the processes and procedures for assessing the reliability of data input into an information system. We tested these controls by discussing the policies and procedures with IRS personnel, reviewing system artifacts, determining whether the policies and procedures were followed, and by identifying the users who gained access to the Procurement Hub without following established procedures.

Appendix II

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Questioned Costs – Potential; \$4,458,165 for a signed contract that did not establish clear milestones or deliverables for engineering services and did not complete sufficient market research (see Recommendations 1 and 2).

Methodology Used to Measure the Reported Benefit:

The third contract for the Procurement Hub did not have clear milestones or deliverables established that specifically address the engineering services for the Procurement Hub. Because there were no milestones for these activities, it is not clear if the work was completed timely nor if the IRS received the value of the \$650,748.80 paid for engineering services.

In addition, our review of the market research completed for the September 2025 Blanket Purchase Agreement did not identify research for the Procurement Hub. The market research completed was specific to the needs of the IRS's Criminal Investigation. Therefore, we conclude that the IRS did not conduct sufficient market research for the Procurement Hub. As such, we question the entire cost of the \$4,458,165 contract.

Appendix III

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

September 24, 2026

MEMORANDUM FOR DIANA M. TENGESDAL
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kaschit Pandya
Chief Information Officer

Kaschit D. Pandya

Alan Monico
Chief Procurement Officer

Alan J. Monico Jr.

SUBJECT: Draft Audit Report – Contracting and Security Controls Were Not Followed While Expediting the Procurement Hub (Audit No.: 2025200018)

Digitally signed by Kaschit D. Pandya
Date: 2026.09.24 13:28:56 -04'00'

Digitally signed by Alan J. Monico Jr.
Date: 2026.09.24 13:59:15 -04'00'

The Internal Revenue Service (IRS) appreciates the opportunity to review and respond to the draft audit report. The IRS remains committed to strengthening documentation, acquisition planning, and governance for future initiatives.

The IRS appreciates the partnership with the Treasury Inspector General for Tax Administration (TIGTA) during rapidly evolving initiatives like the Procurement Hub and believes a revised report title, "Contracting and Security Controls Were Not Followed While Expediting the Procurement Hub," better aligns with the complexity and urgency of the initiative's mission.

The IRS disagrees with TIGTA's assertion that key controls were bypassed. Throughout the development and implementation of the Procurement Hub, the IRS maintained appropriate controls, with the Information Technology (IT) and Procurement organizations granting user access on a need-to-know basis to procurement-sensitive information to perform specific job responsibilities. The IRS leadership authorized an accelerated implementation of the Procurement Hub in coordination with all relevant stakeholders. This collaborative approach enabled the IRS to respond efficiently to mission requirements while maintaining appropriate oversight and safeguards.

In alignment with information provided during the audit review process, the IRS also disagrees with TIGTA's recommendation to use progress payments for vendors providing software licenses when associated engineering services account for less than five percent of the total contract value. In accordance with Acquisition Letter MV-2024-01 (Guidance on payment for software licenses delivered via SaaS), under specific conditions, an upfront payment is not considered an advance payment. Historically, advance payments are standard practice for such contracts and are made prior to delivery or completion of the product or a service. Applying a progress payment structure in such circumstances would be inconsistent with customary commercial practices and could create unnecessary financial and administrative risk for both the IRS and the vendor.

The Procurement Hub has been transformative for the IRS by improving the accuracy and consistency of procurement reporting and supporting timely, informed executive decision-making. Although the expedited implementation required the IRS to balance urgent mission needs with established administrative processes, the IRS remained committed to protecting federal resources, safeguarding procurement-sensitive information, and maintaining appropriate governance and security controls.

The IRS disagrees with TIGTA's assertion that market research was not sufficiently performed in the original awarding of the first Procurement Hub contract. In accordance with FAR Part 8, before searching externally, the agency should look within its internal portfolio for an existing ordering vehicle that aligns with the scope of the requirements. The base blanket purchase agreement was competitively awarded, and prices were deemed fair and reasonable. The "second" contract identified by TIGTA was a within-scope modification to exercise an option for an additional three months.

The IRS appreciates the continued oversight and review provided by your office. Our responses to TIGTA's recommendations are attached. If you have any questions, please contact me or a member of your staff may contact Houman Rasouli, Coordinating Director, Cybersecurity, at (202) 317-7061.

Attachment

Attachment

**Contracting and Security Controls Were Not Followed While Expediting the
Procurement Hub (Audit No.: 2025200018)**

Recommendations

RECOMMENDATION 1:

The Chief Procurement Officer should ensure that all future service contracts include milestones, deliverables, and/or more stringent performance monitoring for engineering services.

CORRECTIVE ACTION:

The IRS agrees with this recommendation. The Office of the Chief Procurement Officer (OCPO) will ensure that Performance Work Statements, contract award, and contract administration documents include all appropriate elements to align deliverables, milestones, and associated performance monitoring requirements.

IMPLEMENTATION DATE:

December 15, 2026

RESPONSIBLE OFFICIAL(S):

Chief Procurement Officer

RECOMMENDATION 2:

The Chief Procurement Officer should identify Procurement Office needs and complete sufficient market research before the third contract expires in September 2026.

CORRECTIVE ACTION:

The IRS partially agrees with this recommendation. The Office of the Chief Procurement Officer (OCPO) identified procurement office needs and completed market research prior to the expiration of the Procurement Hub order. The order will expire on September 23, 2026, the end of the period of performance.

IMPLEMENTATION DATE:

Implemented

RESPONSIBLE OFFICIAL(S):

Chief Procurement Officer

RECOMMENDATION 3:

The Chief Information Officer (CIO) should ensure that the analytic platform Authorizing Official reviews and signs an updated authorization package, which reflects the addition of the Procurement Hub to the analytic platform environment.

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CORRECTIVE ACTION:

The IRS agrees with this recommendation. The CIO will ensure that the Procurement Hub is either retired or transitioned from the Selection and Analytics Platform authorization boundary to an existing authorized security boundary or established as a separate security authorization boundary by September 23, 2026.

IMPLEMENTATION DATE:

December 15, 2026

RESPONSIBLE OFFICIAL(S):

Coordinating Director, Cybersecurity

Appendix IV

Glossary of Terms

Term	Definition
Authorizing Official	A senior federal official or executive with the authority to authorize (<i>i.e.</i> , assume responsibility for) the operation of an information system at an acceptable level of risk to the agency.
Business Entitlement Access Request System	An application used by the IRS to manage users' access to systems.
Data Center Warehouse	A collection of IRS databases containing various types of taxpayer accounts and IRS employee information to analyze data for ongoing audits.
Engineering Services	Contractual services used to support a program office by providing such services as systems engineering and technical direction to ensure the effective operation and maintenance of a system.
National Institute for Standards and Technology	A part of the Department of Commerce that is responsible for developing standards and guidelines to provide adequate information security for all federal agency operations and assets.
Single Entry Time Reporting System	An IRS online payroll system that enables the input of time and attendance data.

Appendix V

Abbreviations

BEARS	Business Entitlement Access Request System
DTS	Defend the Spend
IRS	Internal Revenue Service
NIST	National Institute for Standards and Technology
TIGTA	Treasury Inspector General for Tax Administration



**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.