

ALERT

Treasury Announces Comprehensive Audit of Preference-Based Contracts

November 25, 2025

WHAT: The U.S. Department of the Treasury has announced a “comprehensive audit” of all contracts and task orders awarded under the U.S. Small Business Administration’s 8(a) Business Development Program and other preference-based contracting initiatives, such as the HUBZone program, the Service-Disabled Veteran-Owned Small Business program, and the Women-Owned Small Business program.

The audit will cover contracts under the purview of Treasury and its bureaus, totaling approximately \$9 billion in contract value. Most of the contracts under review were awarded through what Treasury labeled “the Biden Administration’s equity in procurement initiative.”

In addition to the audit, Treasury has instructed its acquisition professionals to provide “detailed staffing plans and monthly workforce performance reports for all service contracts.”

WHEN: Treasury Secretary Scott Bessent announced the comprehensive audit on November 6, 2025. This announcement follows Treasury’s suspension or termination of all contracts and task orders with ATI Government Solutions. ATI Government Solutions, a 8(a) program participant, was the subject of an SBA investigation after allegations emerged that it operated as a pass-through entity for larger companies.

The SBA had, earlier this year, announced its own “full-scale” audit of the 8(a) program “in collaboration with various federal agencies.” The Treasury audit can be seen as a complementary effort. Kelly Loeffler, Administrator of the SBA, thanked Secretary Bessent “for taking major steps to help SBA” with its audit.

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WHAT IT MEANS FOR INDUSTRY: Although the full scope of the audit remains unclear, Treasury has signaled that it will focus on “pass-through” arrangements, where eligible small businesses retain fees for minimal participation while subcontracting nearly all work to larger companies which would not themselves qualify for 8(a) certification. Larger government contractors who partner or contract with smaller prime contractors participating in a preference-based programs should review their contractual arrangements. Partnerships that once passed muster may now be the subject of scrutiny as federal agencies focus on ensuring that preference-based program beneficiaries are “legitimate.”

Contractors can expect heightened scrutiny of contracts awarded during the Biden Administration. And although the audit’s hook is the 8(a) program, federal contractors should be aware that the audit could cover any contract awarded through a preference-based program.

As we noted before in our discussion of the SBA’s 8(a) program audit, there is no indication that the Administration intends to dismantle the 8(a) program or other preference-based programs. Secretary Bessent commented that these initiatives “must benefit legitimate small businesses that deliver measurable value.” The “Revolutionary” FAR Overhaul of FAR Part 19 certainly made changes to 8(a) opportunities but gave no signals that the program or others were in danger of termination. Nonetheless, the Administration will likely continue to reassess who the intended beneficiaries of these preferences should be. Tightened rules and increased oversight are expected to continue.

This latest “comprehensive audit” portends a similar review of preference-based contracts by other agencies. Contractors with such contracts should ensure their files are in order and be prepared to respond promptly should they get audited.