

The meter is running. Nobody is watching it.

Why M-26-10 is only the beginning — and what federal agencies need to do now to avoid being caught flat-footed when the next mandate lands.

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THE SIGNAL MOST AGENCIES ARE MISSING

At a federal technology summit earlier this spring, a senior technology executive from a major government services firm made an observation that has stayed with me. He was presenting data on the growth of AI adoption within federal agencies: generative AI use cases had roughly doubled year over year, and agencies' use of generative AI specifically had grown ninefold. The numbers were striking. What was more striking was the warning he attached to them: AI cost awareness, he said, is lagging significantly behind the deployment.

He put a caution sign next to it. Literally. On the slide.

That image is a useful frame for what OMB M-26-10 is actually telling us. The mandate, which requires all 24 CFO Act agencies to implement IT cost transparency, usage-based reporting, and vendor pricing disclosure, is not a surprise compliance exercise. It is OMB's formal acknowledgment that the federal government has built a remarkable procurement infrastructure over decades, and almost no consumption intelligence to go alongside it.

Agencies know what they contracted for. They have almost no reliable visibility into what they are actually using, what it is costing by bureau and program, or whether they are getting defensible value from it. M-26-10 is the first formal mandate to close that gap. It will not be the last.

“The federal government has built world-class procurement infrastructure. What it has not built is consumption intelligence — the ability to see, in real time, what each bureau is consuming, what it costs, and whether it is generating value.”

WHAT AGENCIES HAVE BUILT

Decades of procurement infrastructure. Contract vehicles, acquisition policy, compliance frameworks, and ERPs designed to track obligations and payments, built for a fixed-cost, predictable world.

WHAT AGENCIES ACTUALLY NEED

Consumption intelligence. Real-time visibility into what each bureau is using, what it costs as it scales, and whether the spend is defensible when OMB, an IG, or a congressional inquiry asks the question.

THE GAP IS STRUCTURAL, NOT OPERATIONAL

This distinction matters because it changes the nature of the solution. If the visibility gap were an operational problem, a staffing issue, a process breakdown, or a vendor that isn't reporting correctly, it could be solved with effort and attention. But the gap is structural. The financial models that federal agencies operate were engineered for fixed-cost, predictable spending: annual server contracts, per-seat software licenses, stable headcount. They were not built for variable, consumption-based cloud infrastructure, AI workloads that scale with mission demand, or SaaS portfolios that sprawl across bureaus without central tracking.

The result is a quiet, compounding problem that does not appear on any dashboard. IT fund variances absorbed due to billing errors or misallocation surface as unexplained variances at fund close. Costs that should have been charged back to program offices get absorbed by central IT. And in an environment where AI adoption is accelerating, and cloud consumption is replacing predictable line-item spending, the gap between what was consumed and what was correctly attributed is growing, not shrinking.

M-26-10 arrived in this environment and asked agencies to do something structurally new: produce monthly, bureau-level, machine-readable IT cost reports that a CIO personally certifies to OMB. For most agencies, that is not a reporting task. It is an infrastructure task. And the infrastructure does not yet exist.

THIS IS PHASE ONE. NOT THE FINAL CHAPTER.

Federal IT governance mandates follow a consistent pattern. They begin with visibility requirements, establish a baseline of accountability, and then deepen in subsequent phases as OMB gathers data to understand where the gaps are most severe. FITARA followed this arc. FedRAMP followed this arc. The current wave of executive orders around procurement consolidation and cost efficiency is following it, too.

M-26-10 has a formal sunset in October 2026. But the agencies that treat that as a finish line are misreading the signal. OMB will spend six months collecting data on which agencies can produce clean, defensible IT cost reports — and which cannot. The agencies that cannot will become the primary targets for more stringent requirements in Phase 2. The pattern is consistent enough to be predictable.

1	<p>Visibility — now</p> <p>M-26-10 requires agencies to see and report what they are spending on IT contracts, utilization rates, and vendor pricing. This is the baseline. Six monthly reports through October 2026.</p>
2	<p>Accountability — next</p> <p>OMB uses Phase 1 data to identify agencies with weak cost attribution, bureau-level gaps, and shadow IT exposure. More granular reporting requirements follow, likely extending the mandate.</p>
3	<p>Enforcement — on the horizon</p> <p>Agencies with demonstrated cost visibility gain procurement authority and flexibility. Agencies without it face escalating oversight. The financial operating model becomes a competitive differentiator.</p>

THE DIAGNOSTIC QUESTION

There is a simple question that cuts through the complexity of M-26-10 compliance and gets to the heart of the structural problem:

If your agency experienced its largest cloud and AI usage event of the year this month, a major service launch, a filing deadline, a policy announcement that drove ten times normal traffic, could you produce a bureau-level attribution report showing which component consumed what, reconciled against current appropriations, before your next OMB report is due?

If the answer is no, or if it would take six weeks of manual reconciliation to produce, that is the gap M-26-10 is surfacing. And it is also the gap that every subsequent mandate will measure you against.

The leaders I have spoken with across federal agencies are not unaware of this tension. They are acutely aware of it. What they are looking for are approaches that meet them where they are, start with what is achievable now, and build toward the financial operating model that the next five years of federal IT governance will require.

That model has a name in the FinOps community: showback first, then chargeback. See what is being consumed before you try to bill for it. Build the data infrastructure before you build the policy. It is the right sequence — and it is exactly what M-26-10 is trying to force agencies to begin.

WHAT THIS MEANS FOR EACH EXECUTIVE IN THE ROOM

C I O	C F O	C A O
Your name is on every monthly report. If OMB asks a follow-up, you need an answer in hours, not weeks.	Defensible chargeback data across shared IT services is now an audit requirement, not a finance aspiration.	Every new IT solicitation now requires vendor disclosure provisions. The procurement workflow has permanently changed.

SOFTRAX is the Financial Operating System for federal IT spend.

We sit between your operational platforms and your ERP — ingesting consumption data from any vendor, normalizing it, and producing the bureau-level, audit-ready outputs that M-26-10 requires. Automatically.

We are not asking you to transform your infrastructure. We are asking you to have a frank conversation about where the gaps are and whether we can help close them. No demo, no pressure, no agenda. Just an honest discussion about your compliance timeline and what realistic support looks like.

Reach out whenever you are ready. We will meet you where you are. softrax.com