

CONTRACT GOVERNANCE · PROCUREMENT

When the Governance Gap Becomes a Contract Dispute

Following up on a question about where the genuine intervention points are in agentic AI process architectures, and whether they're functioning as actual controls or documented assumptions — this week, a public dispute between a federal agency and an AI vendor answered that question in ways no white paper could.

An AI model was deployed on consequential government operations. The vendor later learned, through a routine partner conversation, that their technology had been used in ways that neither party had explicitly governed. Neither side had a shared definition of where autonomous operation ended and human accountability began. A governance architecture question became an institutional crisis.

Three observations for anyone working at the intersection of AI and government:

Integration depth changes the negotiating dynamic. When an AI system becomes load-bearing infrastructure, embedded in operational workflows that teams depend on daily, replacing it becomes more disruptive than resolving the dispute. Governance conversations that should happen before deployment end up happening under pressure, after the fact.

Legal compliance is not a substitute for accountability architecture. Both sides cited legal compliance as the relevant boundary. But agentic systems operating across complex decision chains regularly encounter situations the law doesn't anticipate. When an autonomous process produces a consequential outcome, who owns it — and how would anyone know?

Scope expansion without review triggers is a deployment risk, not just a policy gap. When a use case grows beyond its original parameters and no mechanism exists to flag it, the system does what it's technically capable of doing. The governance conversation happens afterward, in crisis mode.

The field has workable frameworks for AI as a tool. For AI as an operational participant in high-stakes government workflows, we are still working without a map. That gap is now producing institutional conflict at the highest levels of government IT procurement.

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