



**DEPARTMENT OF WAR
DEFENSE OFFICE OF HEARINGS AND APPEALS**



In the matter of:)
)
) ISCR Case No. 25-00273
)
Applicant for Security Clearance)

Appearances

For Government: Carroll J. Connelley, Esq., Department Counsel
For Applicant: Jacquelyn L. Harrison, Esq.

03/26/2026

Decision

BORGSTROM, Eric H., Administrative Judge:

Applicant did not mitigate the security concerns arising from his failure to timely file his federal and state income tax returns and his failure to timely pay federal and state taxes. Eligibility for access to classified information is denied.

Statement of the Case

On July 16, 2025, the Defense Counterintelligence and Security Agency (DCSA) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F (financial considerations). The DCSA acted under Executive Order (EO) 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended; DOD Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG) implemented on June 8, 2017.

In Applicant's September 25, 2025 response to the SOR (Answer), he admitted all four allegations. He attached an incomplete Internal Revenue Service (IRS) installment agreement, an email from his tax attorney, and IRS correspondence. He requested a hearing before a Defense Office of Hearings and Appeals (DOHA) administrative judge. (Answer)

On January 5, 2026, the Government was ready to proceed to a hearing. I was assigned this case on January 28, 2026. On January 28, 2026, a notice was issued scheduling the hearing for February 25, 2026, by video teleconference. The hearing proceeded as scheduled. The Government proffered five evidentiary exhibits, which I admitted as Government Exhibits (GE) 1 through 5, without objection. Applicant and two witnesses testified. Applicant submitted seven exhibits, which I admitted as Applicant Exhibits (AE) A through G, without objection. Neither party requested to leave the record open to supplement the evidentiary record, so the record closed at the conclusion of the hearing. DOHA received the hearing transcript (Tr.) on March 4, 2026.

Findings of Fact

Applicant is 64 years old. He graduated from high school. From December 1980 to October 2001, he served on active duty in the U.S. Marine Corps, and he earned an honorable discharge. He married in November 1983 and divorced in August 1998. He has two children, ages 35 and 32. (GE 1; Tr. 17-18, 30)

Since April 2016, Applicant has been employed as a program manager for a federal contractor. He has also maintained his own consulting business since March 2003. He was granted a confidential clearance in April 2007, a secret clearance in October 2009, and a renewed secret clearance in August 2014. (GE 1; AE A; Tr. 16-20, 32)

The SOR alleges financial considerations security concerns arising from Applicant's delinquent federal taxes for tax years (TY) 2014 through 2023 (SOR ¶ 1.a.); his delinquent state taxes (SOR ¶ 1.b.); his failure to timely file his federal income tax returns for TY 2016 through 2022 (SOR ¶ 1.c.); and his failure to timely file his state income tax returns for TY 2016 through 2023 (SOR ¶ 1.d.)

On April 13, 2023, Applicant completed and certified an Electronic Questionnaire for Investigations Processing (e-QIP). Under Section 26 – Financial Record, he reported that he had failed to file his federal and state income tax returns and pay the associated taxes for TY 2016 through 2021. He described his reasons for failing to file and pay as a “personal accounting oversight [sic].” He claimed to be working with a tax attorney to file his returns and resolve his outstanding tax liability. (GE 1)

In July 2023, Applicant was twice interviewed by an authorized investigator on behalf of the Office of Personnel Management (OPM). He estimated his delinquent federal taxes for TY 2016 through 2022 to be approximately \$350,000, but no returns had been prepared or calculated as of the interviews. He denied any frivolous or irresponsible spending, but he admitted that his failure to file his returns and pay his taxes was due to carelessness and irresponsibility. At the time of his interviews, he earned approximately \$250,000 annually from his position with the federal contractor (H), approximately \$26,000 annually from his military retired pay, and approximately \$240,000 annually from his consulting business. No taxes were withheld and no estimated taxes paid since 2015 for his consulting business. In his May 15, 2025 response to DOHA interrogatories, he

confirmed the accuracy of the two summaries of the OPM interviews without any corrections, additions, or deletions. (GE 2)

Applicant’s admissions and the documentary evidence reflect the following filing dates, taxable income, and calculated tax liabilities for TY 2014 through 2024. The balances of the federal income taxes for TY 2015 through 2022 were current as of May 2025, and the balances for TY 2023 and 2024 were current as of February 2026:

TY	Filing Date	Taxable Income	Federal Taxes, Penalties, & Interest	State Taxes, Penalties, & Interest
2014	Unknown	Unknown	\$18,551	\$3,004
2015	Mar. 4, 2025	\$256,224	\$150,158	\$8,226
2016	Feb. 2, 2024	\$312,527	\$144,382	\$12,496
2017	Feb. 5, 2024	\$384,407	\$152,649	Unknown
2018	Feb. 5, 2024	\$400,212	\$174,184	\$12,352
2019	Feb. 5, 2024	\$419,895	\$126,718	\$8,376
2020	Nov. 17, 2023	\$447,972	\$129,286	\$8,595
2021	Nov. 10, 2023	\$563,335	\$125,844	\$8,279
2022	Nov. 10, 2023	\$595,668	\$137,082	\$9,502
2023	Aug. 21, 2024	\$537,547	\$106,884	\$7,190
2024	Apr. 15, 2025	\$479,519	\$88,985	Unknown

As of Applicant’s May 2025 response to DOHA interrogatories, he had not finalized an installment agreement with the IRS nor begun payments on either his federal or state tax debts. He attached a May 15, 2025 email from his tax attorney detailing that the attorney had requested an IRS installment agreement and a payment plan with the state tax authority. (GE 2; AE D, AE E; Tr. 33-37)

The state department of revenue filed three tax liens between June 2024 and October 2024, totaling approximately \$59,609 (SOR ¶ 1.b.). These liens do not specify to which tax years they relate; however, Applicant admitted the delinquent taxes in the chart, *supra*. On February 4, 2025, the IRS filed a federal tax lien against Applicant in the approximate amount of \$918,414. (Answer; GE 3, GE 4)

In July 2025, Applicant entered into an installment agreement with the IRS by which he agreed to pay \$7,344 monthly towards his delinquent taxes. The installment agreement includes TY 2015 through TY 2024 in the total amount of \$1,343,171. Between August 2025 and January 2026, he made six \$7,344 payments. As of February 2026, this monthly payment was reduced to \$7,100. He also made three \$2,211 payments to the state department of revenue between November 2025 and February 2026. (Answer; AE F, AE G; Tr. 25-26, 41-44, 65-66)

At the DOHA hearing, Applicant testified that he had been current on his tax filings until about 2014. He attributed his failure to file his federal and state tax returns to a period of unemployment in 2014, and he explained that his tax-filing and paying obligations

began to snowball. He acknowledged that he did not experience any problems that inhibited him from timely filing his tax returns, particularly after he acquired gainful employment with H in April 2016. He admitted that he failed to timely file his federal and state tax returns for TY 2014 through 2023 and that he was solely responsible for this lapse. After he submitted his e-QIP, he engaged a tax attorney in about July 2023. His unfiled returns for TY 2016 through 2022 were filed between November 2023 and February 2024, and he filed the federal and state returns at the same time. He admitted that he had not prioritized his tax-filing and paying obligations. (Answer; Tr. 22-36, 62-63)

When Applicant began working at H, he earned approximately \$181,000 as a program manager. He also received approximately \$24,000 from his military retired pay and approximately \$120,000 from his own consulting business. Although taxes were withheld from his H employment, he did not withhold taxes or pay the requisite quarterly estimated taxes on the income from his consulting business. In 2025, Applicant made one payment on his estimated federal income taxes; however, he lost his consulting contract in about August 2025 and has not earned any subsequent income. From 2015 through 2025, he had earned approximately \$230,000 annually from the consulting contract, and he had not paid any federal taxes on this income prior to July 2025. From his employment with H, his take-home pay is approximately \$17,000 to \$22,000 a month, and he continues to receive his military retired pay (\$2,000 monthly). (Tr. 33-43, 56)

When confronted about his high income and failure to pay his taxes, Applicant acknowledged his lapse in judgment and failure to meet his financial obligations. He explained that he spent his money on golf club memberships and attendance at expensive sporting events. "I overspent in every way that you could overspend." He testified that he reined in his spending habits in about 2023; however, he could not explain how he continued to earn over \$500,000 annually until August 2025 but only had \$7,000 in his checking account. (Tr. 49, 51-53, 67)

Applicant's May 2025 and February 2026 credit reports reflect two vehicle loans with monthly payments totaling approximately \$1,682. The credit report lists seven credit-card accounts with balances totaling over \$70,000 and at least one credit-card account over the reported credit limit. (GE 5; AE C; Tr. 51-55)

In November 2023, Applicant hired a certified public account (CPA) to manage his personal and business finances. In 2024, Applicant took a financial management course and learned about budgeting. (Tr. 29, 57-58)

Whole Person

Two witnesses testified in support of Applicant's clearance eligibility. The chief executive officer for H served on active duty in the U.S. Navy for 35 years before starting his own company (H) in 2002. He has known Applicant for over 10 years, and they have weekly contact. He described Applicant as a "beyond critical" component on the project, a "model employee," and trusted by the government client. The witness was aware of Applicant's failure to timely file his federal and state income tax returns and aware of his

significant delinquent tax debts. In 2025, Applicant earned a performance bonus valued at approximately \$10,000. (Tr. 71-82)

The president for H worked for 34 years as a Department of Navy civilian. He has weekly contact with Applicant. He noted that there have been no security violations by Applicant during his employment at H. The witness was aware of Applicant's failure to timely file his federal and state tax returns and was aware of Applicant's repayment plans. He considered Applicant to be a trusted advisor who has a reputation for professional excellence. (Tr. 87-96)

Under Applicant's guidance as program manager, his company's performance on the Department of Navy contract was rated as "Exceptional" for three annual reviews, spanning August 2020 to August 2023. (AE B)

Policies

When evaluating an applicant's suitability for a security clearance, the administrative judge must consider the adjudicative guidelines. In addition to brief introductory explanations for each guideline, the adjudicative guidelines list potentially disqualifying conditions and mitigating conditions, which are to be used in evaluating an applicant's eligibility for access to classified information.

These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, administrative judges apply the guidelines in conjunction with the factors listed in the adjudicative process. The administrative judge's overarching adjudicative goal is a fair, impartial, and commonsense decision. According to AG ¶ 2(a), the entire process is a conscientious scrutiny of a number of variables known as the "whole-person concept." The administrative judge must consider all available, reliable information about the person, past and present, favorable and unfavorable, in making a decision.

The protection of the national security is the paramount consideration. AG ¶ 2(b) requires that "[a]ny doubt concerning personnel being considered for national security eligibility will be resolved in favor of the national security."

Under Directive ¶ E3.1.14, the Government must present evidence to establish controverted facts alleged in the SOR. Under Directive ¶ E3.1.15, the applicant is responsible for presenting "witnesses and other evidence to rebut, explain, extenuate, or mitigate facts admitted by the applicant or proven by Department Counsel." The applicant has the ultimate burden of persuasion to obtain a favorable security decision.

A person who seeks access to sensitive information enters into a fiduciary relationship with the Government predicated upon trust and confidence. This relationship transcends normal duty hours and endures throughout off-duty hours. The Government reposes a high degree of trust and confidence in individuals to whom it grants access to sensitive information. Decisions include, by necessity, consideration of the possible risk

the applicant may deliberately or inadvertently fail to safeguard sensitive information. Such decisions entail a certain degree of legally permissible extrapolation of potential, rather than actual, risk of compromise of sensitive information.

Section 7 of EO 10865 provides that adverse decisions shall be “in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned.” See *also* EO 12968, Section 3.1(b) (listing multiple prerequisites for access to classified or sensitive information).

Analysis

Guideline F: Financial Considerations

The security concern for financial considerations is set out in AG ¶ 18:

Failure to live within one’s means, satisfy debts, and meet financial obligations may indicate poor self-control, lack of judgment, or unwillingness to abide by rules and regulations, all of which can raise questions about an individual’s reliability, trustworthiness, and ability to protect classified or sensitive information. Financial distress can also be caused or exacerbated by, and thus can be a possible indicator of, other issues of personnel security concern such as excessive gambling, mental health conditions, substance misuse, or alcohol abuse or dependence. An individual who is financially overextended is at greater risk of having to engage in illegal or otherwise questionable acts to generate funds. . . .

The guideline notes several conditions that could raise security concerns under AG ¶ 19. The following are potentially applicable in this case:

- (a) inability to satisfy debts;
- (c) a history of not meeting financial obligations; and
- (f) failure to file or fraudulently filing annual Federal, state, or local income tax returns or failure to pay annual Federal, state, or local income tax as required.

Applicant’s admissions and the documentary evidence established that Applicant failed to timely file his federal and state income tax returns for several tax years (SOR ¶¶ 1.c. and 1.d.). Furthermore, he owed more than \$1,300,000 in delinquent federal taxes (SOR ¶ 1.a.) and over \$59,000 in delinquent state taxes (SOR ¶ 1.b.). AG ¶¶ 19(a), 19(c), and 19(f) apply.

Conditions that could mitigate the financial considerations security concerns are provided under AG ¶ 20. The following are potentially applicable in this case:

(a) the behavior happened so long ago, was so infrequent, or occurred under such circumstances that it is unlikely to recur and does not cast doubt on the individual's current reliability, trustworthiness, or good judgment;

(b) the conditions that resulted in the financial problem were largely beyond the person's control (e.g., loss of employment, a business downturn, unexpected medical emergency, a death, divorce, or separation, clear victimization by predatory lending practices, or identity theft), and the individual acted responsibly under the circumstances;

(c) the individual has received or is receiving financial counseling for the problem from a legitimate and credible source, such as a non-profit credit counseling service, and there are clear indications that the problem is being resolved or is under control;

(d) the individual has initiated and is adhering to a good-faith effort to repay overdue creditors or otherwise resolve debts; and

(g) the individual has made arrangements with the appropriate tax authority to file or pay the amount owed and is in compliance with those arrangements.

Applicant bears the burdens of production and persuasion in mitigation. An applicant is not held to a standard of perfection in his or her debt-resolution efforts or required to be debt-free. "Rather, all that is required is that an applicant act responsibly given his circumstances and develop a reasonable plan for repayment, accompanied by 'concomitant conduct,' that is, actions which evidence a serious intent to effectuate the plan." ISCR Case No. 15-02903 at 3 (App. Bd. Mar. 9, 2017). See, e.g., ISCR Case No. 13-00987 at 3, n.5 (App. Bd. Aug. 14, 2014).

Applicant did not establish any circumstances beyond his control that contributed to his failure to timely file his federal and state tax returns or to pay his federal and state tax obligations. More importantly, his inaction as to both filing his tax returns and paying his taxes, until prompted by the periodic reinvestigation of his clearance eligibility, is an aggravating factor. Regarding the failure to timely file a federal income tax return, the DOHA Appeal Board has commented:

Failure to file tax returns suggests that an applicant has a problem with complying with well-established governmental rules and systems. Voluntary compliance with such rules and systems is essential for protecting classified information. ISCR Case No. 01-05340 at 3 (App. Bd. Dec. 20, 2002). As we have noted in the past, a clearance adjudication is not directed at collecting debts. See, e.g., ISCR Case No. 07-08049 at 5 (App. Bd. Jul. 22, 2008). By the same token, neither is it directed toward *inducing an applicant to file tax returns*. Rather, it is a proceeding aimed at evaluating an applicant's judgment and reliability. *Id.* A person who fails repeatedly to fulfill his or her

legal obligations does not demonstrate the high degree of good judgment and reliability required of those granted access to classified information. See, e.g., ISCR Case No. 14-01894 at 5 (App. Bd. Aug. 18, 2015). See *Cafeteria & Restaurant Workers Union Local 473 v. McElroy*, 284 F.2d 173, 183 (D.C. Cir. 1960), *aff'd*, 367 U.S. 886 (1961).

ISCR Case No. 14-04437 at 3 (App. Bd. Apr. 15, 2016) (emphasis in original). The timing of Applicant's debt-resolution efforts is relevant and material to the evaluation of his evidence in mitigation. See, e.g., ADP Case No. 16-03595 at 4 (App. Bd. Aug. 27, 2018) (timing of debt-resolution efforts is relevant in evaluating the sufficiency of case in mitigation).

After submitting his e-QIP, Applicant engaged a tax attorney in about July 2023 and an accounting firm in about November 2023. He filed his unfiled returns between November 2023 and February 2024. He did not make any payments on his delinquent taxes between 2015 and August 2025, when he entered into an IRS installment agreement. At the close of the record, he had made six payments to the IRS and three payments to the state department of revenue.

I have considered that, even after Applicant's reported failures to file his returns and pay his taxes on his April 2023, he continued to fail to pay quarterly estimated federal income taxes for TY 2023 and TY 2024, while earning over \$500,000 annually. Applicant's credit reports reflect over \$70,000 in credit-card debts. These circumstances are not alleged in the SOR; however, they undermine Applicant's claims that he reduced his spending beginning in 2023 and acted responsibly as to his tax-filing and tax-paying obligations. The DOHA Appeal Board has held that conduct not alleged in the SOR may be considered in the evaluation of an applicant's evidence in mitigation; as to whether an applicant has demonstrated successful rehabilitation; and in the whole-person analysis. See ISCR Case No. 03-20327 at 4 (App. Bd. Oct. 26, 2006) (citing ISCR Case No. 02-07218 at 3 (App. Bd. Mar. 15, 2004); ISCR Case No. 00-0633 at 3 (App. Bd. Oct. 24, 2003)). See *also* ISCR Case No. 12-09719 at 3 (App. Bd. Apr. 6, 2016) (citing ISCR Case No. 14-00151 at 3, n.1 (App. Bd. Sep. 12, 2014); ISCR Case No. 03-20327 at 4 (App. Bd. Oct. 26, 2006)).

Notwithstanding Applicant's recent steps to address and resolve his unfiled returns and delinquent taxes, doubts remain concerning his financial responsibility, given his failure to address his unfiled returns until the periodic reinvestigation. AG ¶ 20(g) applies, given Applicant's payment arrangements and payments on his federal and state taxes; however, the record as a whole does not support full mitigation of the financial considerations security concerns. See ISCR Case No. 24-02104 at 2 (App. Bd. Jan. 26, 2026) ("The Judge's decision to afford some mitigative credit to the September 2025 IRS payment did not require him to find Applicant's federal tax filing concern fully mitigated, and his conclusion that, 'considering the evidence 'as a whole,' Applicant's failures regarding his [federal income taxes] are not mitigated' is well-rooted in Appeal Board precedent.").

Whole-Person Concept

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for access to classified information by considering the totality of the applicant's conduct and all relevant circumstances. The administrative judge should consider the nine adjudicative process factors listed at AG ¶ 2(d):

(1) the nature, extent, and seriousness of the conduct; (2) the circumstances surrounding the conduct, to include knowledgeable participation; (3) the frequency and recency of the conduct; (4) the individual's age and maturity at the time of the conduct; (5) the extent to which participation is voluntary; (6) the presence or absence of rehabilitation and other permanent behavioral changes; (7) the motivation for the conduct; (8) the potential for pressure, coercion, exploitation, or duress; and (9) the likelihood of continuation or recurrence.

Under AG ¶ 2(c), the ultimate determination of whether to grant eligibility for a security clearance must be an overall commonsense judgment based upon careful consideration of the guidelines and the whole-person concept. I considered the potentially disqualifying and mitigating conditions in light of all the facts and circumstances surrounding this case. I have incorporated my comments under Guideline F and the factors in AG ¶ 2(d) in this whole-person analysis.

Applicant's supervisors praised his work performance in support of the Government client. His exemplary performance does not diminish the significant security concerns arising from his repeated failure to file his tax returns and pay his tax liability for nearly a decade. Instead of fulfilling his legal obligations, he prioritized living an extravagant lifestyle. He has not established that he has acted responsibly regarding his finances or that these circumstances are unlikely to recur. He did not mitigate the financial considerations security concerns. Eligibility for access to classified information is denied.

Formal Findings

Formal findings for or against Applicant on the allegations set forth in the SOR, as required by section E3.1.25 of Enclosure 3 of the Directive, are:

Paragraph 1, Guideline F:	AGAINST APPLICANT
Subparagraphs 1.a.-1.d.:	Against Applicant

Conclusion

In light of all of the circumstances presented by the record in this case, I conclude that it is not clearly consistent with the interests of national security to grant Applicant's eligibility for a security clearance. Eligibility for access to classified information is denied.

Eric H. Borgstrom
Administrative Judge