



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



In the matter of: )  
)  
) ISCR Case No. 25-01437  
)  
Applicant for Security Clearance )

**Appearances**

For Government: John Renehan, Esq., Department Counsel  
For Applicant: *Pro se*

04/17/2026

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**Decision**

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NAGEL, Jeff A., Administrative Judge:

Applicant did not mitigate the Guideline F (Financial Considerations) security concerns. Eligibility for access to classified information is denied.

**Statement of the Case**

Applicant submitted his security clearance application (SCA) on August 14, 2024, in connection with his employment in the defense industry. On December 9, 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 action was taken under Executive Order 10865, *Safeguarding Classified Information Within Industry* (February 20, 1960), as amended; Department of Defense Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG) effective within the Department of Defense on June 8, 2017.

Applicant answered the SOR in writing on December 29, 2025, and requested a hearing before an Administrative Judge. The Department Counsel was prepared to proceed on February 13, 2026. The case was assigned to me on February 19, 2026. The Defense Office of Hearings and Appeals (DOHA) issued a Notice of Hearing on March 5,

2026. I convened the hearing as scheduled on March 25, 2026. The Government called no witnesses and submitted Government Exhibits (GE) 1 through 6, which I admitted into evidence without objection. Applicant testified on his own behalf, called a witness, and requested that the record remain open until April 10, 2026, to provide post-hearing exhibits. Applicant submitted Applicant Exhibit (AE) A, an agreement with a debt management program he signed up for after his hearing. I marked and admitted it into evidence without objection. DOHA received the transcript of the hearing (TR) on April 8, 2026.

### **Findings of Fact**

Applicant is a 41-year-old employee of a defense contractor who was born and raised in Los Angeles, California. He is married and has no children. Applicant is a high school graduate, with a little over a year's worth of college credits. He has worked for his current employer as a security guard/lobby concierge/dispatcher for approximately eighteen months. Applicant is applying for a security clearance for the first time. (Tr. at 14, 15)

The SOR alleges that Applicant is indebted to the Federal Government in the approximate amount of \$60,000 on delinquent taxes from numerous tax years. The SOR also alleges Applicant failed to file his 2014 Federal income tax return as required by law. Lastly, the SOR also alleges that Applicant is indebted on a charge-off and various collections in the approximate amount of \$21,650.

In his Answer, Applicant admitted outright to two of the non-tax debts, admitted to two others stating, "payment arrangements will start shortly," and denied a large medical debt. Applicant's two medical debts (1.j. and 1.k.) were caused by unexpected medical emergencies. Applicant is consolidating all his debt through a debt management program (DMP) and entered into a contract to do so on April 2, 2026. Applicant made an initial deposit of \$89 and has agreed to make an ongoing deposit of \$218 every Friday beginning the day after he signed his contract. (Tr. at 65, AE A)

In his Answer, the Applicant denied all the tax allegations stating "I deny failure to live above my means, meet financial obligations and definitely deny poor self-control and lack of judgement. As I have previously stated that I was not and have not been in control of my tax issues. This has been an ongoing problem trying to get justice for me being wrong by an untrustworthy person." The Applicant never denied that he owes the tax debt. A clear reading of his Answer shows that he is not denying the underlying tax situation, just that he does not feel he meets the concerns of the Guideline as noted under Guideline F.

Appellant elaborated during his testimony about being wronged by an untrustworthy person, a friend of his mother's he began using to file his taxes in 2012 and continued with until he moved to Arizona in 2018. (Tr. at 20)

During the early years of my working career, I would go to H&R Block, and I would go to other companies like that and file my taxes. During those times where I would go to H&R Block, it seemed like I would always owe money or have to get a small refund of like \$50 or \$60. So, during one conversation I had with [a friend of my mother S], which is the owner of [EYF], she had mentioned that she also handles taxes and does work along that sorts. And she asked to see a prior year tax. So, I gave her the documents, and she looked over, and she made a comment that the person who did my taxes didn't do them correctly. They didn't file a 1040-CZ form, that she would be able to go in and do a better job, especially getting me a refund. So I hired her and tested her out the following year. (Tr. at 19-21)

Applicant for a time was happy with the services provided by S, since he was getting refunds. Applicant was put on notice that something was wrong with EYF beginning in 2014 when he started receiving correspondence from the IRS concerning deductions he was not entitled to such as a college tax credit. (Tr. at 21, 23, 24)

It wasn't until, I want to say, a year in 2014 when she was submitting my taxes that I received a tax letter from the IRS stating that there was a discrepancy in my taxes and that they had withdrew some sort of tax credit that she had, I guess, applied for or added to my documents. So at that time, I sent her the tax letter and said, "Hey, [S], I just received this document. It said something was an issue. ...Could you take a look at it?" And she responded and said, "Yes. I'll take a look at it, and I'll get back to you. (Tr. at 21)

The pattern of Applicant getting "dinged" by the IRS and then reaching out to S continued over the next few tax cycles. Applicant admitted that he was "getting red flags" about the tax preparation services S was providing. He was steadily receiving letters from the IRS showing that she was not doing her job and she was constantly placating him. (Tr. at 21, 24)

So going forward, I want to show you that's the pattern over these years of having tax issues is that I would receive tax documents from the IRS, and I would reach out to her and forward her the documents via scanning an email or meeting in person, dropping them off. And majority of the time, the response is, "I'll look into it ...I was having tax issues from 2014 and '15 now at that time to where she was saying, "Hey, I'm in the process of amending your taxes. During this time, don't pay taxes." So she told me to, like, file exempt, which is don't have taxes taken out at that time. Because when she does the amendment, they would credit back my account and show that I would be overpaid. I would overpay my taxes a substantial amount. So I have followed her advice because I do not know anything about federal taxes, state taxes, anything along that line. (TR at 21, 22)

Eventually Applicant began having concerns when the amount he owed the IRS kept increasing and eventually the IRS reached out to Applicant's employer and told them that he could not be exempt from withholding. The IRS then put a mandatory percentage of taxes to be withheld on his pay which got as high as 20%. When Applicant moved to Arizona and began using a different tax preparer he fully "woke up" and became really concerned. His new tax preparer started looking at the previous taxes that S had filed and told him that she should be "locked up" because she had no idea what she was doing. During his testimony, Applicant admitted that the tax debt owed is his responsibility, regardless of what actions S took or did not take and that his only option is to pay it. (Tr. at 24, 27, 29, 31, 44)

Outside of the tax issues, interest, and penalties that S caused the Applicant on the tax years she filed for him his tax issues continued even after moving to Arizona and using a new tax preparer. "So those taxes that weren't paid for '22, '23, and '24, those were due to some financial issues that I had run into with my mother having a severe stroke and us having to fly and travel back and forth to California dealing with her medical issues. My dad having multiple heart attacks and stints, so I had to travel and fly back during some family hardships and things like that." (Tr. at 33, 48)

Applicants' intent is to be debt free in the future. He first plans on working on car and insurance payments and then handling his tax debt. "We have car payments and higher insurance that's going to be paid off within the next 24 months. So in 30 months, I would be entering into a payment arrangement with the IRS to forego those payments of our car payments to go towards taking care of my tax debt and getting that balance down." Applicant has spoken with the IRS, and he believes his payments to them will be \$863 a month and he will begin paying in 2028. (Tr. at 47, 62, 63)

Applicant's supervisor testified on his behalf and stated that he has shown consistency, has followed all company orders, rules, policies, and is trustworthy and a man of integrity. (Tr. 78, 79)

### **SOR Allegations:**

1.a. Applicant remains indebted to the Federal Government for delinquent taxes in the amount of \$8,559.78 for tax year 2024. Applicant has not made any payments on this debt and plans on beginning to make payments in 2028. (Tr. at 62, 62)

1.b. Applicant remains indebted to the Federal Government for delinquent taxes in the amount of \$6,239.07 for tax year 2023. Applicant has not made any payments on this debt and plans on beginning to make payments in 2028. (Tr. at 62, 62)

1.c. Applicant remains indebted to the Federal Government for delinquent taxes in the amount of \$3,385.20 for tax year 2022. Applicant has not made any payments on this debt and plans on beginning to make payments in 2028. (Tr. at 62, 62)

1.d. Applicant remains indebted to the Federal Government for delinquent taxes in the amount of \$11,936.96 for tax year 2021. Applicant has not made any payments on this debt and plans on beginning to make payments in 2028. (Tr. at 62, 62)

1.e. Applicant remains indebted to the Federal Government for delinquent taxes in the amount of \$12,790.95.00 for tax year 2018. Applicant has not made any payments on this debt and plans on beginning to make payments in 2028. (Tr. at 62, 62)

1.f. Applicant remains indebted to the Federal Government for delinquent taxes in the amount of \$13,768.89 for tax year 2017. Applicant has not made any payments on this debt and plans on beginning to make payments in 2028. (Tr. at 62, 62)

1.g. Applicant failed to file as required by law, his Federal income tax returns for tax year 2014. Applicant is not sure if he filed his 2014 federal income tax return but plans to file.

1 h. Applicant remains indebted to the Federal Government for delinquent taxes in the amount of \$4,127.33 for tax year 2013. Applicant has not made any payments on this debt and plans on beginning to make payments in 2028. (Tr. at 62, 62)

1.i. Applicant remains indebted on a credit card that has been charged off in the approximate amount of \$12,495.00. This was a Lowes store credit card that Applicant used for a house remodel. He stopped paying this debt in 2023 and it is part of his DMP. (Tr. at 49, 66, AE A)

1.j. Applicant remains indebted on a medical account he is disputing that was placed for collection in the approximate amount of \$6,111.00. This debt stems from his treatment for diabetes and at the time Applicant did not have medical insurance. Applicant has not paid on it since 2023, and it is part of his DMP. (Tr. at 66-69, AE A)

1.k. Applicant remains indebted on a medical account that was placed for collection in the approximate amount of \$1,989.00. This debt stems from him being seen at a hospital and not having medical insurance at the time. Applicant has never paid on this debt, and it is part of his DMP. (Tr. at 66-69, AE A)

1.l. Applicant remains indebted on a credit card that was placed for collection in the approximate amount of \$675.00. In the past Applicant made three payments on this account but has not made one in a while. This debt is part of his DMP. (Tr. at 71, AE A)

1.m. Applicant remains indebted on a credit card that was placed for collection in the approximate amount of \$378.00. Applicant has never made a payment of this debt but has included it in his DMP. (Tr. at 71, AE A)

## Policies

This case is adjudicated 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), which became effective on June 8, 2017.

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(c), 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 classified information enters 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 classified information. Decisions include, by necessity, consideration of the possible risk the applicant may deliberately or inadvertently fail to safeguard classified information. Such decisions entail a certain degree of legally permissible extrapolation of potential, rather than actual, risk of compromise of classified 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.

The SOR alleges and the Government established eight tax allegations: One for Applicant’s failure to file and seven covering Applicant’s debts to the Federal Government in the approximate amount of \$60,000. The SOR also alleges, and the Government established, five other debts: One a charge-off, two medical collections, and two credit collections in the approximate amount of \$21,650. AG ¶¶ 19(a), 19(c) and 19(f) are applicable.

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

- (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;

(d) the individual 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.

I find Applicant's financial problems have been evolving for at least the last ten years and are ongoing. Even though Applicant's tax concerns were brought about by relying too long on a tax preparer who was incompetent at best and criminal, at worst, he was irresponsible for allowing it to go on for as long as it did and not taking further action. When the "red flags" started to build, to include filing for a college tax credit he was not entitled to, he was placed on notice. Applicant's most recent tax concerns cannot be blamed on his former tax preparer. They were due to financial issues brought on by family hardships. Either way Applicant owes approximately \$60,000 in delinquent taxes, has not made any payments, and will not be doing so until 2028. Applicant also owes approximately \$21,650 on non-tax debt, which only after his hearing did, he sign an agreement to pay off through a debt resolution company.

I am also unable to find that Applicant acted reasonably and responsibly under the circumstances, nor did he make a good-faith effort to pay his debts. They continue to cast doubt on his current reliability, trustworthiness, and good judgment. The above mitigating conditions, individually or collectively, are insufficient to eliminate concerns about his finances.

### **Whole-Person Concept**

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for a security clearance 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 a security clearance must be an overall commonsense judgment based upon careful consideration of the guidelines and the whole-person concept. I have incorporated my comments under Guidelines F in my whole-person analysis. I have also considered the comments in both his Answer and interrogatory responses, as well as the documents he submitted in his Answer, and the testimony of his witness.

### **Conclusion**

Overall, the record evidence leaves me with questions and doubts about Applicant's eligibility and suitability for a security clearance. I conclude Applicant did not mitigate the financial considerations security concerns.

### **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
Subparagraph 1.a through 1.i.	Against Applicant
Subparagraph 1.j. and 1.k.	For Applicant
Subparagraph 1.l and 1.m.	Against Applicant

### **Conclusion**

It is not clearly consistent with the national interest to grant Applicant eligibility for a security clearance. Eligibility for access to classified information is denied.

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Jeff A. Nagel  
Administrative Judge