DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 24-01669
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Cynthia Ruckno, Esq., Department Counsel
For Applicant: *Pro se*

07/30/2026

Decision

GARCIA, Candace Le'i, Administrative Judge:

Applicant mitigated the security concerns under Guideline F (Financial Considerations). Eligibility for access to classified information is granted.

Statement of the Case

On November 26, 2024, the Department of Defense (DOD) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F (financial considerations). The action was taken under Executive Order (Exec. Or.) 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 by DOD on June 8, 2017.

Applicant submitted a response to the SOR on January 15, 2025 (Answer) and requested a hearing before an administrative judge. The case was assigned to me on July 9, 2025. The Defense Office of Hearings and Appeals (DOHA) issued a notice on August 14, 2025, scheduling the matter for a video conference hearing on October 10, 2025. On October 9, 2025, that hearing was cancelled due to the potential for a federal government shutdown. Rescheduling the hearing was delayed when all administrative judges were furloughed from October 1 through November 12, 2025, during a federal government shutdown due to a lapse in federal funding. DOHA issued a second notice on December 10, 2025, rescheduling the matter for a video conference hearing on January 7, 2026. I convened the hearing as rescheduled.

At the hearing, I admitted in evidence without objection Government Exhibits (GE) 1-5. Applicant testified, called his spouse as a witness, and submitted documentation that I marked and admitted in evidence without objection as Applicant Exhibits (AE) A-E. He did not call any witnesses. At Applicant's request, I kept the record open until February 4, 2026, to enable him to submit additional documentation. By that date, he submitted documentation that I marked collectively as AE F and admitted in evidence without objection. DOHA received the hearing transcript (Tr.) on January 21, 2026.

Findings of Fact

In his Answer, Applicant admitted all SOR allegations, with explanations. He stated, "all tax years have been filed" in response to SOR ¶¶ 1.a-1.b. He also stated, "I have a payment plan in place" in response to the debts in SOR ¶¶ 1.c-1.d; he settled the debt in SOR ¶ 1.e; and he paid the debts in SOR ¶¶ 1.f-1.h. (Answer; *See also* Tr. 18)

Applicant is 39 years old. He is married and he has three minor children. He graduated from high school in 2004 and attended two different colleges between 2005 and 2007 but did not earn a degree. (GE 1, 3; Tr. 8-9, 32)

Applicant has worked for various defense contracting companies since approximately 2010. He experienced a one-month lapse in employment in February 2011, and again in April 2016, when he was in between jobs or contracts. He was also briefly unemployed, while in between jobs, from January 2019 to April 2019. He has worked as a systems engineer for his current employer, another defense contractor, since October 2022. He was granted a security clearance in 2012, and he held a clearance as of the date of the hearing. (GE 1, 3; Tr. 6-7, 9-11, 28-29, 33-42)

The SOR alleges Applicant failed to file his federal and state income tax returns for tax years (TY) 2020 through 2023, as required. (SOR ¶¶ 1.a-1.b) It also alleges he has six delinquent consumer debts, totaling $9,730, consisting of a $3,682 personal loan (SOR ¶ 1.c), a $2,344 rental bill (SOR ¶ 1.d), a $2,287 car loan (SOR ¶ 1.e), a $743 insurance bill (SOR ¶ 1.f), a $408 utility bill (SOR ¶ 1.g), and a $266 credit card debt (SOR ¶ 1.h). In addition to his admissions in his Answer, his failure to file his relevant income tax returns are established by his disclosures in his October 2023 and November 2024 responses to interrogatories, and his delinquent debts are established by his disclosures in his January 2023 SCA, his June 2023 background interview, his responses to interrogatories, a court record, and a credit bureau report (CBR) from July 2024. The CBR lists all the SOR debts, and it does not report any other delinquent debts. (GE 1-5)

Federal and state income tax returns for TY 2020-2023

In his November 2024 response to interrogatories, Applicant stated he filed his federal and state income tax returns prior to and including TY 2019 but disclosed he had not yet filed them for TY 2020-2023. (GE 3; *See also* GE 2) He stated:

> Years 2020-2023 were not filed due to paperwork being misplaced. We dropped off returns to [Tax Preparation Service] who lost some of the paperwork. We were able to recover the lost files and are in the process of getting returns filed. (GE 3; *See also* Tr. 63-68)

Applicant's spouse primarily handles their taxes. (Tr. 83, 85, 93-94) They both dropped off their tax documentation for TY 2020, in 2021, to Tax Preparation Service (TPS), as instructed by TPS because of the COVID-19 pandemic, so TPS could file their TY 2020 income tax return on their behalf. They had used TPS to file their income tax returns in previous years, without issue. They continued to take their tax documentation to TPS "several years in a row," thinking TPS filed their income tax returns on their behalf because TPS told them they had done so. (Tr. 64) In approximately 2023, TPS contacted them and informed them that TPS lost some of their tax documentation and consequently had not filed their income tax returns for TY 2020 to TY 2022. They retrieved their tax documentation from TPS and noticed some were missing. They did not timely file their income tax return for TY 2023 because they were trying to recover the lost tax documentation and find someone else to file on their behalf. They then gave their tax documentation to an accountant who they were referred to by a family friend, but when that individual also did not file their income tax returns, they retrieved their tax documentation so that they could file them on their own. (Tr. 63-90, 93-111)

In July 2025, Applicant and his spouse received a call from the IRS notifying them that someone tried to file their TY 2020 federal income tax return using their names. She testified that she completed their federal income tax returns for TY 2020 through 2023 online, and then she filed the federal income tax returns for those tax years by physically mailing them to the IRS with a return receipt in December 2025. She subsequently contacted the IRS to confirm the IRS received their federal income tax returns, and the IRS confirmed receipt of their TY 2020 and TY 2021 income tax returns. Sometime after that, the IRS notified them that someone had already filed their TY 2022 federal income tax return using their names and received a refund; as a result, the IRS placed a fraud alert on their account and notified them that their account is currently under investigation. (AE F; Tr. 63-90, 93-111)

Applicant did not provide documentation to corroborate his and his spouse's testimony that they filed their federal income tax returns for those tax years, but he testified they were due a refund of $146 for TY 2021; they neither owed nor were they due a refund for TY 2022; and they owed $1,000 in federal taxes for TY 2023. As of the date of the hearing, he had not yet started paying the $1,000 in federal taxes he owes for TY 2023 because he was focused on paying off his other debts, as further discussed below. (AE F; Tr. 63-90, 93-111)

Applicant and his spouse were scheduled to meet with a tax advisor in January 2026 to review their federal income tax returns to determine if they made any errors, correct those errors, and then refile the corrected returns if necessary. They also intended to contact the IRS to get more information on the identity theft issue. He made several calls to the IRS in January 2026 to determine the status of their federal income tax returns for TY 2020-2023, and he stated two IRS representatives separately informed him their income tax return for TY 2020 was accepted, but their income tax returns for TY 2021 through 2023 were still being processed due to the identity theft issue and they would receive notification when the investigation was complete and their returns were accepted. When he attempted to view these IRS tax account transcripts on the IRS website, he was referred to a telephone number to call for identity theft. In February 2026, he made a $2 payment that he stated was due for TY 2020. (AE F; Tr. 63-111) When Applicant attempted to obtain a copy of his IRS tax account transcript for TY 2022, he received the following letter from the IRS, dated January 7, 2026, which states:

> We apologize for the inconvenience, but we are not able to process this requested tax year at this time. Please note: Transcript requests for other tax years may be available. You or your representative can contact the Identity Theft Toll-free at 800-908-4490 for any tax year that is not available. (AE F)

Applicant's spouse stated she completed their state income tax returns for TY 2020 through 2023 at the same time as their federal income tax returns for those tax years, as previously discussed. Copies of Applicant's state income tax returns for TY 2020 through 2023 reflect he was due refunds of $429, $146, $487, and $284 for each of those respective tax years. She testified they have not yet received any of these refunds. (AE F; Tr. 73, 77-79) Applicant and his spouse stated they had an extension for TY 2024 and also filed that income tax return in December 2025, but it too had not yet been accepted by the IRS. (Tr. 80, 85-86, 101) They both further stated they understood it is their responsibility to timely file their income tax returns and to ensure they are filed even if they use a tax preparation service or a family friend to file them on their behalf. They intend to timely file their income tax returns in the future. (Tr. 68-69, 71, 90, 101-102)

Delinquent consumer debts

Applicant attributed his delinquent debts to "job or contract loss or job or contract in transition." (Tr. 28) He was not being paid during these periods, he fell behind on some of his bills, prioritizing them as best he could. (GE 1-3; Tr. 18, 28-29, 31, 33-42) His spouse supported him during his period of unemployment in 2019. (GE 3) He also cited his spouse's two-month period in 2023 of being in between jobs, when he was the sole provider, as a contributing factor to his delinquent debts. In addition, she experienced a decrease in her income from $105,000 to $75,000 annually once she resumed working in 2023. (Tr. 43-47) He stated in his October 2023 response to interrogatories he was working to pay his debts, having obtained stable employment. (GE 2) He contacted his creditors and made payment arrangements to pay his debts, to include debts that were not alleged in the SOR. (Tr. 47-48, 62-63)

SOR ¶ 1.c: Applicant obtained this personal loan to pay his bills. During his background interview, he indicated he planned to contact the collection agency to work out a payment arrangement to pay this debt. Documentation from the creditor reflects he made a payment of $200 in November 2025, and two payments of $500 each in December 2025, and he had a zero balance as of December 2025. This debt is paid. (GE 3; AE B; Tr. 48)

SOR ¶ 1.d: Applicant incurred this apartment rental bill upon moving to a different house and his previous landlord billed him for the final month's rent that he believed he already paid. A court record reflects a $5,156 judgment issued against him in May 2019. (GE 4) He made a payment arrangement consisting of approximately $200 monthly until the debt is paid because he wanted it removed from his credit bureau report. He stated he started making payments in accordance with this arrangement in March 2023, and he made an initial payment of $500 followed by three monthly payments of $200. He stated he missed one month's payment, in June 2023, because he prioritized paying for his car repairs. (GE 1, 3) When the creditor for the debt in SOR ¶ 1.c offered to settle, he started to prioritize paying that debt since it was a larger one. Documentation from the creditor reflects he settled this account for $3,944 in April 2025, he made the final payment towards this settlement in January 2026, and the account balance as of February 2026 was zero. This debt is resolved. (AE C, F; Tr. 29-30, 48-63, 111-113)

SOR ¶ 1.e: Applicant fell behind on payments toward this car loan when his car completely broke down and he had to prioritize other expenses over repairing his car when he was in between contracts. He stated he contacted the creditor in June 2023 and set up a payment arrangement, consisting of $200 monthly until the debt is paid. His payments were scheduled to begin in July 2023. (GE 3; Tr. 28-29) There is no evidence of payments after July 2023 to this creditor.

SOR ¶ 1.f: Applicant forgot to pay this bill with his previous insurance company upon transferring to another. He learned about its delinquency when he saw it reported on his credit bureau report in 2023. He contacted the collection agency and made a payment arrangement, consisting of monthly payments of $250 for three months beginning in July 2023, to pay this debt. Documentation from the creditor reflects he paid this debt in September 2025. (GE 1, 3; AE A)

SOR ¶ 1.g: Applicant stated he either did not receive this utility bill when he moved to a different property, or he forgot about it. He stated he contacted the creditor and made arrangements to pay this debt, or he planned to pay the total amount due in full. He provided an excerpt from his checking account statement reflecting he made a payment of $408 toward this debt in January 2025. This debt is paid. (GE 1, 3; AE E)

SOR ¶ 1.h: Applicant incurred this credit card debt when he was unable to make payments. He used this card to purchase clothes, gas, and daily items. He stated he contacted the creditor and made arrangements to pay this debt. Documentation from the creditor reflects he made payments totaling $266 and the account was paid in December 2024. (GE 1, 3; AE D; Tr. 31)

An October 2023 budget reflects Applicant and his spouse's monthly net salaries were $7,453 and $3,487, respectively, for a total of $10,940. After expenses, his monthly net remainder was $5,361. A January 2024 paystub from his current employer reflects he gets paid $3,726 biweekly. (GE 2) He testified his spouse, who has worked for the U.S. Government since 2023, has earned $90,000 annually since November 2024. She earned $70,000 annually from 2023 to 2024. (Tr. 32, 44-47, 92) He testified their monthly combined take-home pay was $13,002, and their monthly net remainder after expenses was approximately $6,000. He testified he had approximately $1,000 in his savings account and $90,000 in his retirement savings account. (Tr. 63) During his background interview, he characterized his current financial situation as stable due to having a source of income and indicated he was able and willing to repay his debts. (GE 3) He stated he received financial counseling in 2020. (Tr. 86-89)

Policies

This case is adjudicated under Executive Order (EO) 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended; Department of Defense (DOD) Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG) implemented by the DOD on June 8, 2017.

"[N]o one has a 'right' to a security clearance." *Department of the Navy v. Egan*, 484 U.S. 518, 528 (1988). As Commander in Chief, the President has the authority to "control access to information bearing on national security and to determine whether an individual is sufficiently trustworthy to have access to such information." *Id.* at 527. The President has authorized the Secretary of Defense or his designee to grant applicants eligibility for access to classified information "only upon a finding that it is clearly consistent with the national interest to do so." EO 10865 § 2.

Eligibility for a security clearance is predicated upon the applicant meeting the criteria contained in the adjudicative guidelines. These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, an administrative judge applies these guidelines in conjunction with an evaluation of the whole person. An administrative judge's overarching adjudicative goal is a fair, impartial, and commonsense decision. An administrative judge must consider all available and reliable information about the person, past and present, favorable and unfavorable.

The Government reposes a high degree of trust and confidence in persons with access to classified information. This relationship transcends normal duty hours and endures throughout off-duty hours. Decisions include, by necessity, consideration of the possible risk that the applicant may deliberately or inadvertently fail to safeguard classified information. Such decisions entail a certain degree of legally permissible extrapolation about potential, rather than actual, risk of compromise of classified information.

Clearance decisions must be made "in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned." EO 10865 § 7. Thus, a decision to deny a security clearance is merely an indication the applicant has not met the strict guidelines the President and the Secretary of Defense have established for issuing a clearance.

Initially, the Government must establish, by substantial evidence, conditions in the personal or professional history of the applicant that may disqualify the applicant from being eligible for access to classified information. The Government has the burden of establishing controverted facts alleged in the SOR. *See Egan* at 531. "Substantial evidence" is "more than a scintilla but less than a preponderance." *See v. Washington Metro. Area Transit Auth.*, 36 F.3d 375, 380 (4th Cir. 1994). The guidelines presume a nexus or rational connection between proven conduct under any of the criteria listed therein and an applicant's security suitability. *See* ISCR Case No. 15-01253 at 3 (App. Bd. Apr. 20, 2016).

Once the Government establishes a disqualifying condition by substantial evidence, the burden shifts to the applicant to rebut, explain, extenuate, or mitigate the facts. Directive ¶ E3.1.15. An applicant has the burden of proving a mitigating condition, and the burden of disproving it never shifts to the Government. *See* ISCR Case No. 02-31154 at 5 (App. Bd. Sep. 22, 2005).

An applicant "has the ultimate burden of demonstrating that it is clearly consistent with the national interest to grant or continue his security clearance." ISCR Case No. 01-20700 at 3 (App. Bd. Dec. 19, 2002). "[S]ecurity clearance determinations should err, if they must, on the side of denials." *Egan* at 531.

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 has a history of not paying his debts. He also failed to timely file his federal and state income tax returns for TY 2020-2023, as required. AG ¶¶ 19(a), 19(c), and 19(f) are established.

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;

(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 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.

Conditions beyond Applicant's control contributed to his debts. The first prong of AG ¶ 20(b) applies. For the full application of AG ¶ 20(b), he must provide evidence that he acted responsibly under the circumstances. He made efforts to begin resolving his delinquent consumer debts, to include debts not alleged in the SOR, before the issuance of the SOR, and he has paid all but one (SOR ¶ 1.e). He reached a payment arrangement to resolve the debt in SOR ¶ 1.e beginning in July 2023 but prioritized paying his other debts. He intends to resolve his remaining delinquent debt.

A security clearance adjudication is an evaluation of an individual's judgment, reliability, and trustworthiness. It is not a debt-collection procedure. ISCR Case No. 09-02160 (App. Bd. Jun. 21, 2010). The adjudicative guidelines do not require that an individual make payments on all delinquent debts simultaneously, pay the debts alleged in the SOR first, or establish resolution of every debt alleged in the SOR. He or she need only establish a plan to resolve financial problems and take significant actions to implement the plan. *See* ISCR Case No. 07-06482 at 2-3 (App. Bd. May 21, 2008). As such, I find allegations SOR ¶¶ 1.c-1.h in Applicant's favor under AG ¶ 20(b).

Applicant's failure to timely file his relevant federal and state income tax returns raises questions about his judgment, trustworthiness, and reliability. He acknowledged it was his responsibility to ensure his income tax returns were timely filed, even if he relied, in this instance, on a tax preparation service and then an accountant to do so on his behalf. He and his spouse made efforts to file their relevant income tax returns beginning in 2023, once they learned that neither the tax preparation service nor the accountant had done so and upon gathering the tax documentation they had given to the tax preparation service that was then lost.

While Applicant did not provide copies of their filed federal income tax returns for TY 2020 to 2023, Applicant's spouse stated she filed them in December 2025 along with their state income tax returns for those same tax years. Copies of their state income tax returns for those tax years reflect they are due refunds. The IRS confirmed receipt of their TY 2020 and 2021 federal income tax returns and notified them, in July 2025 and sometime after December 2025, that the IRS had placed a fraud alert on their account after someone filed their federal income tax returns for TY 2020 and 2022 using their names. They have not received confirmation that the IRS has accepted their federal income tax returns for TY 2020 through 2023 because their account is under investigation by the IRS. However, they intend to continue to contact the IRS concerning this issue, and they intend to continue to timely file their income tax returns in the future.

Like the debt in SOR ¶ 1.e, Applicant had not yet started paying the $1,000 in federal taxes he owes for TY 2023 because he was focused on paying off his other debts. His monthly net remainder reflects he has the means to resolve both outstanding debts, and he indicated his intent to do so. He has received financial counseling, he has made efforts to get his financial issues under control, and he intends to continue to do so. I find that that these financial issues do not continue to cast doubt on his reliability, trustworthiness, and judgment. AG ¶¶ 20(a), 20(b), 20(c), 20(d), and 20(g) apply.

Whole-Person Concept

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. In applying the whole-person concept, an 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. An 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.

I have incorporated my comments under Guideline F in my whole-person analysis and applied the adjudicative factors in AG ¶ 2(d). I considered the potentially disqualifying and mitigating conditions in light of all the facts and circumstances surrounding this case. Overall, the record evidence leaves me without questions or doubts about Applicant's eligibility and suitability for a security clearance. I conclude Applicant mitigated 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:	FOR APPLICANT
Subparagraphs 1.a-1.h:	For Applicant

Conclusion

I conclude that it is clearly consistent with the interests of national security to grant Applicant eligibility for access to classified information. Clearance is granted.

Candace Le'i Garcia
Administrative Judge