DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 25-01006
	)	
Applicant for Security Clearance	)	

Appearances

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

08/06/2026

Decision

Hale, Charles C., Administrative Judge:

This case involves security concerns raised under Guideline F (Financial Considerations). Eligibility for access to classified information is denied.

Statement of the Case

On October 29, 2025, the Defense Counterintelligence and Security Agency (DCSA) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F, explaining why it was unable to find it clearly consistent with the national interest to grant security clearance eligibility. The DCSA took the action under Executive Order (Exec. Or.) 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 National Security Adjudicative Guidelines (AG) effective for any adjudication made on or after June 8, 2017.

On December 4, 2025, Applicant answered the SOR and on January 7, 2026, he requested a decision based on the administrative (written) record without a hearing. On April 28, 2026, Department Counsel prepared a File of Relevant Material (FORM), setting forth the Government's arguments against Applicant's security clearance worthiness. The FORM contains seven attachments, identified as Government Exhibits (GE) 1 through 7.

Applicant received a copy of the FORM on April 15, 2025. He was given 30 days to file a response. He responded in an email, which addressed concerns to the FORM's construction and highlighted his efforts to resolve the SOR allegations. The case was assigned to me on August 4, 2026. GE 1 and 2 are pleadings in the case. I admitted GE 3 through 7 into evidence without objection.

Findings of Fact

Applicant is a 57-year-old manufacturing process engineer. He married in 2013 and has no children This is Applicant's first application for a security clearance. (GE 3, GE 6.)

Applicant in his Answer admitted failing to file a Federal income tax return for tax year 2016 (SOR ¶ 1.a). He denied failing to file a state income tax return for tax year 2020. He included a state tax return for tax year 2020 with his Answer, stated it had been filed on December 8, 2025, and that he received a refund of over $5,700 (SOR ¶ 1.b). He denied having a Federal tax debt for tax year 2017 (SOR ¶ 1.c) on the basis that he had resolved the debt. He provided receipts of payment for the 2017 tax year.

SOR ¶ 1.a: You failed to file, as required, Federal income tax return[] for the tax year 2016. As of the date of this Statement of Reasons, the tax return[] remain unfiled. Applicant admits the allegation and did not provide any additional information. In response to a Government email query he confirmed that as of April 11, 2026, his 2016 Federal income tax return had not been filed. (GE 7 at 1.) This matter is unresolved.

SOR ¶ 1.b: You failed to file, as required, a [State] income tax return for the tax year 2020. As of the date of this Statement of Reasons, the tax return[] remain unfiled. Applicant denied the allegation citing the December 8, 2025 State tax return he included with his Answer. Applicant completed his security clearance application (SCA) on February 18, 2024. In his May 24, 2025 response to Government interrogatories, he acknowledged he had not filed his 2020 State return due to an oversight. (GE 5 at 2.) He included a summary of his personal income tax account for the State for tax years 2023, 2022, 2021, 2019, and 2018, which showed zero balances. (GE 5 at 4-8.) In his September 6, 2025 response to a second set of Government interrogatories he acknowledged he had not filed his State 2020 income tax return and that he intended "to file it as soon as possible." (GE 6 at 11.) This matter is resolved.

SOR ¶ 1.c: You are indebted to the Federal Government for delinquent taxes in the amount of $778.09 for tax year 2017. As of the date of this Statement of Reasons the taxes remain unpaid. Applicant denied the allegation on the basis that he had paid the delinquent amount. He included an October 19, 2025 confirmation from the IRS that payment had been received with his December 2025 Answer. In response to a Government email query, he acknowledged on September 22, 2025, that he had a balance due for 2017. (GE 7 at 6.) On his February 18, 2024 SCA he stated, "it slipped my mind-there is no good excuse for this" and that he would be seeking professional assistance to help him obtain necessary documents before filing his Federal tax return for tax year 2017. (GE 3 at 33.) This debt is resolved.

Policies

"[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." Exec. Or. 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." Exec. Or. 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*, 484 U.S. 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*, 484 U.S. at 531.

Analysis

Guideline F, Financial Considerations

The security concern under this guideline 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. . . . An individual who is financially overextended is at greater risk of having to engage in illegal or otherwise questionable acts to generate funds. Affluence that cannot be explained by known sources of income is also a security concern insofar as it may result from criminal activity, including espionage.

This concern is broader than the possibility that a person might knowingly compromise classified information to raise money. It encompasses concerns about a person's self-control, judgment, and other qualities essential to protecting classified information. A person who is financially irresponsible may also be irresponsible, unconcerned, or negligent in handling and safeguarding classified information. *See* ISCR Case No. 11-05365 at 3 (App. Bd. May 1, 2012).

Applicant's admissions and the documentary evidence in the record establish the following disqualifying conditions under this guideline:

> AG ¶ 19(a): inability to satisfy debts;
>
> AG ¶ 19(b): unwillingness to satisfy debts regardless of the ability to do so; and
>
> AG ¶ 19(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 following mitigating conditions are potentially applicable:

AG ¶ 20(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;

AG ¶ 20(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; and

AG ¶ 20(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 filed his delinquent state income tax return for tax year 2020 in December 2025 and paid delinquent federal taxes due for tax year 2017 in October 2025. However, he has not filed his federal income tax return for tax year 2016.

AG ¶ 20(a) and AG ¶ 20(b) are not established for SOR ¶¶ 1.a through 1.c. Applicant's failure to timely file Federal and state income tax returns and his tax debt are recent and did not occur under circumstances making them unlikely to recur. He appears to have ignored the problem for several years until his security clearance application was in jeopardy. He has not demonstrated he has acted responsibly.

Applicants who begin to address their security-significant conduct only when their personal interests are at stake may be lacking in judgment and reliability. ISCR Case No. 16-01211 (App. Bd. May 30, 2018). Even if an applicant has paid his or her debts, an administrative judge may still consider the circumstances underlying the debts for what they may reveal about the applicant's eligibility for a clearance. ISCR Case No. 14-02394 (App. Bd. Aug. 17, 2015.)

AG ¶ 20(g) is not established for SOR ¶¶ 1.a through 1.c. Failure to timely file Federal and state income 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. *See* ISCR Case No. 01-05340 at 3 (App. Bd. Dec. 20, 2002). 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). Applicant's admitted procrastination resulted in his failure to ensure he was compliant with tax laws, which demonstrates poor judgment and the lack of reliability required to be granted access to classified information. *See* ISCR Case No. 17-03049 (App. Bd. May 15, 2018) (citing ISCR Case No. 14-04437 at 3 (App. Bd. Apr. 15, 2016)).

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). Because Applicant requested a determination on the record without a hearing, I had no opportunity to evaluate his credibility and sincerity based on demeanor. *See* ISCR Case No. 01-12350 at 3-4 (App. Bd. Jul. 23, 2003). I have carefully applied the law, as set forth in Egan, Exec. Or. 10865, the Directive, the AGs, and the Appeal Board's jurisprudence to the facts and circumstances in the context of the whole person. Applicant failed to mitigate financial considerations security concerns.

This decision should not be construed as a determination that Applicant cannot or will not attain the state of reform necessary for award of a security clearance in the future. With more effort towards establishing a track record of timely filing his tax returns and paying taxes when due, he may well be able to demonstrate persuasive evidence of his security clearance worthiness in the future.

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.c:	Against Applicant

Conclusion

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

Charles C. Hale
Administrative Judge