DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 25-00952
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Nicole A. Smith, Esq., Department Counsel
For Applicant: *Pro se*

07/22/2026

Decision

BORGSTROM, Eric H., Administrative Judge:

Applicant mitigated the financial considerations security concerns. Eligibility for access to classified information is granted.

Statement of the Case

On December 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; 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 on June 8, 2017.

In Applicant's January 13, 2026 response to the SOR (Answer), she admitted all five allegations, and she did not attach any documentary evidence. She requested a hearing before a Defense Office of Hearings and Appeals (DOHA) administrative judge. (Answer)

On March 10, 2026, the Government was ready to proceed to a hearing. I was assigned this case on March 26, 2026. On April 7, 2026, DOHA issued a notice scheduling the hearing for May 6, 2026. 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 her union representative testified. Applicant submitted three evidentiary exhibits, which I admitted as Applicant Exhibits (AE) A through C. At Applicant's request, the record remained open until June 23, 2026, to provide her an opportunity to supplement the evidentiary record. DOHA received the hearing transcript (Tr.) on May 13, 2026. Applicant timely provided 14 post-hearing submissions, which I admitted as AE D through Q, without objection. The record closed on June 25, 2026, upon the Government's review of Applicant's post-hearing submissions.

Findings of Fact

Applicant is 25 years old. She graduated from high school in June 2019. She has never married and does not have any children. Since November 2024, she has been employed full time as a draftsman for a federal contractor, and she currently earns approximately $24.61 an hour. She works full time plus approximately five hours of overtime every week. (GE 1; Tr. 24-25, 30; AE N)

From February 2020 to April 2023, Applicant had been employed full time as a teacher's aide for a school district. From April to July 2023, she worked approximately 25 hours a week at a fast-food restaurant, while also working 35 to 40 hours a week at a daycare facility. From July 2023 to September 2024, she was employed full time as a bank teller. Following a six-week training course beginning in September 2024, she began working for a Federal contractor in November 2024. Prior to her current employment, she earned approximately $22,500 to $26,000 annually. (GE 1; AE F, AE G; Tr. 27-29)

The SOR alleges financial considerations concerns arising from unfiled Federal (SOR ¶ 1.a.) and state (SOR ¶ 1.b.) income tax returns for tax years (TY) 2019 through 2022 and three consumer accounts (SOR ¶¶ 1.c.-1.e.).

On May 13, 2024, Applicant completed and certified an Electronic Questionnaire for Investigations Processing (e-QIP). Under Section 26, she reported that she had failed to file her Federal and state income tax returns for TY 2021 and 2022. She also reported one delinquent, unalleged credit card account. (GE 1 at 31-34)

On September 4, 2024, Applicant was interviewed by an authorized investigator on behalf of the Office of Personnel Management (OPM). During the interview, she admitted that she had not filed her Federal or state income tax returns for TY 2021, 2022, or 2023. She attributed her failure to timely file to her immaturity and ignorance about tax filings. As of the interview, she believed she had completed the necessary tax forms, with the assistance of her parents. During the interview, Applicant was confronted about the debt in SOR ¶ 1.d., for a delinquent cell-phone account, of which she had been unaware. She explained that her former boyfriend had been on her cell phone account but should have been removed after they broke up. In her August 30, 2025 response to DOHA interrogatories, she confirmed the summary of the September 2024 interview as accurate. (GE 3 at 12-13)

On April 9, 2025, Applicant responded to DOHA interrogatories. She reported that she had filed her income tax returns for TY 2021, 2022, and 2023. She provided documentary evidence that the Federal income tax (FIT) return for TY 2023 was filed on October 7, 2024; however, there was no documentary evidence to establish the filing of TY 2021 or 2022. She also provided documentary evidence establishing that her state income tax (SIT) return for TY 2023 had been filed. (GE 2, GE 3 at 17)

In her August 30, 2025 response to DOHA interrogatories, Applicant provided documentary evidence showing that her TY 2023 and 2024 FIT returns had been filed. She included a monthly budget reflecting $3,252 in income, $1,471 in expenses, and a net remainder of approximately $1,780. (GE 3 at 17-18, 20)

SOR ¶ 1.a. At the hearing, Applicant testified that her FIT for TY 2021 and 2022 had not been filed as of March 2025 (per the IRS transcripts attached to her April 2025 interrogatories), but she believed that the FIT for TY 2021, 2022, and 2023 had all been filed with the assistance of her parents. As of the hearing, she did not have any documentary evidence to corroborate if and when she had filed her FIT for TY 2021 and 2022; however, the TY 2023 FIT return had been filed in September 2024. (Tr. 35-36; GE 3 at 17)

In her post-hearing statement, Applicant explained that her parents had included her as a dependent on their TY 2019 and TY 2020 Federal and state tax filings. She had been a high school student in 2019. She included a copy of her parents' TY 2020 FIT return showing her inclusion. She acknowledged her mistakes with her tax filings and explained that her finances became more organized and that her financial situation has improved since moving back in with her parents in August 2023. (AE E; AE O)

After the hearing, Applicant submitted a statement explaining that she had been unable to schedule an appointment with an Internal Revenue Service (IRS) representative; however, she had engaged a professional tax preparer to file her Federal and state tax returns for TY 2021 and 2022. These Federal returns were prepared on June 4, 2026. For TY 2021, Applicant earned approximately $25,000, and she owed approximately $85 in taxes, penalties, and interest, according to the preparer. (AE F) For TY 2022, Applicant earned approximately $28,155, and she owed approximately $330 in taxes, penalties, and interest. (AE G) On June 16, 2026, Applicant obtained money order receipts for payments to the IRS for $85 and $330, and she provided a U.S. Postal Service receipt establishing that the returns and payments were sent to the IRS. (AE M; AE Q)

SOR ¶ 1.b. As discussed above, Applicant had believed that she had filed her SIT returns for TY 2021 and 2022 when she had filed her TY 2023 returns. As of the hearing, she did not have any documentary evidence to corroborate if and when she had filed these returns. (Tr. 35-36)

As discussed above, after the hearing Applicant realized that her TY 2021 and TY 2022 FIT and SIT returns had not been filed. She explained that she had misplaced her W-2 forms at the time she had moved back in with her parents in August 2023. The TY

2021 and 2022 SIT returns were prepared by a professional tax preparer on June 4, 2026. For TY 2021, she owed approximately $338 in state taxes, penalties, and interest. (AE F) For TY 2022, she owed approximately $390 in state taxes, penalties, and interest. (AE G) On June 2026, she obtained money order receipts for payments to the state revenue department for $338 and $163, and she provided a U.S. Postal Service receipt establishing that the returns and payments were sent to the state tax authority. (AE M; AE Q)

After the hearing, Applicant provided documentation confirming that her TY 2023 SIT return, due on June 17, 2024, was filed on September 5, 2024. She received a refund of approximately $288. For TY 2024, the SIT return was due on April 15, 2025, and it was filed on April 15, 2025. Applicant was due a refund of $170. For TY 2025, the SIT return was due on April 15, 2026, and was filed on April 14, 2026. In 2025, Applicant earned approximately $47,000 and owed approximately $32 in taxes. (AE H-J)

SOR ¶ 1.c. This electric bill was incurred while Applicant was living on her own and working multiple jobs. She had been unable to afford rent, utilities, and other living expenses beginning in about September 2022, when her boyfriend moved out and she was required to pay all rent and utilities. After she moved back in with her parents in August 2023, she began addressing her financial delinquencies. She provided documentary evidence of payments on this account from May 2025 through April 2026. As of April 2026, this debt was paid in full. She also established that SOR ¶¶ 1.c. and 1.e. were identical accounts held by different collection agencies at different times. (AE A-C, K, L, P; Tr. 38-49)

SOR ¶ 1.d. This cell-phone account was placed for collection in about November 2022 in the approximate amount of $539. (GE 4 at 2, GE 5 at 1) Applicant testified that, when she researched the account, it was under a different but similar first name. She has a current account with the same cell phone service provider and does not believe that it is her account. She credibly explained that this is not her account.

SOR ¶ 1.e. As discussed above, this account is identical to the debt alleged in SOR 1.c. This allegation is found for Applicant. (GE 5 at 1; AE A-C, K, L, P; Tr. 38-49)

Applicant attributed her unfiled tax returns to immaturity and ignorance. She had separated from her parents in about 2021 and moved out on her own. She later reconciled with her parents and moved back in with them in about August 2023. With her updated monthly budget, she earns approximately $3,300 in take-home pay, has approximately $1,600 in expenses – including a car payment, insurance, electric, and rent, and has a net monthly remainder of approximately $1,700. She currently works about five hours of overtime per week. She estimated her bank account balance was approximately $950, and she participates in her employer's 401k plan. She has not been behind on any bill payments in the past year. (AE N; Tr. 32-33, 41-50)

Whole Person

A co-worker, who may be Applicant's supervisor, submitted a character-reference letter in support of her clearance eligibility. He stated that Applicant "has consistently demonstrated professionalism, reliability, integrity, and sound judgment." (AE D) He also noted that she "has demonstrated a strong commitment to company policies, ethical conduct, and accountability in all aspects of her work." He praised her dependability, attention to detail, and responsibility. (AE D)

Applicant testified that she has never been disciplined at her current employment. Her witness, her union representative, confirmed her good standing with her employer and the trade union and that she was progressing through the levels of training at her job. (Tr. 50, 52-54)

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 is 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 credibly testified and provided documentary evidence that her Federal and state income tax returns for TY 2019 and TY 2020 were filed under her parents' returns. She failed to timely file her Federal and state income tax returns for TY 2021 and 2022. These returns were paid and mailed on or about June 16, 2026. AG ¶ 19(f) applies.

The SOR alleges three delinquent accounts totaling approximately $3,862; however, the record evidence established that SOR ¶¶ 1.c. and 1.e. are identical accounts. Furthermore, Applicant credibly testified that she researched the debt in SOR ¶ 1.d. and learned the account holder had a different name. AG ¶¶ 19(a) and 19(c) apply as to SOR ¶ 1.c. SOR ¶¶ 1.d. and 1.e. are found for Applicant.

Conditions that could mitigate 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 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 debt-resolution efforts or required to be debt-free. "Rather, all that is required is than 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 encountered financial delinquencies when she broke up with her boyfriend, and he moved out of their shared residence. She was unable to maintain her financial obligations while working in multiple lower-paying jobs. Her tax returns demonstrate that even working at times 50-60 hours a week, she earned approximately $22,000-26,000 annually. After she moved back in with her parents in August 2023, she began addressing her financial delinquencies. Her payments on SOR ¶ 1.c. pre-date the issuance of the SOR. She paid this debt in full and established that she was not liable for the two other alleged accounts. She has maintained her financial obligations for over a year, received pay raises, and her budget reflects a net monthly remainder of approximately $1,700. She also participates in her employer's 401k plan. AG ¶¶ 20(b) and 20(d) apply as to SOR ¶ 1.c.

Applicant failed to timely file her TY 2021 and TY 2022 FIT and SIT returns. She had mistakenly believed that these returns had been filed around the time her TY 2023 returns had been filed (September 2024). After the hearing, she learned that these returns had not been filed. She engaged a professional tax preparer, completed the returns on June 4, 2026, and sent payment and the returns to the IRS and state tax authority on June 16, 2026. Based on the calculated taxes, penalties, and interest, she has filed all of her Federal income tax returns and paid all monies owed. She has filed all of her state income tax returns, paid her TY 2021 taxes, penalties, and interest, and has paid $163 of her calculated $390 of taxes, penalties, and interest for TY 2022. She also provided documentary evidence that she timely filed her TY 2023 and TY 2024 FIT returns and her TY 2023 through TY 2025 SIT returns.

Applicant credibly testified that she had believed, as of the hearing, she had filed her TY 2021 and TY 2022 FIT and SIT returns. While she is responsible for both the filing of her tax returns and her misunderstanding, she did not knowingly and willfully fail to file her returns. She had relied on her parents' assistance to fulfill her tax-filing obligations through 2020 and had separated from them when her filings obligations became due in mid-2022. At that time, she was approximately 21 years old, facing financial delinquencies living on her own after having broken up with her boyfriend, and still disengaged from her parents. Since moving back in with her parents in August 2023, she has timely filed her more recent tax returns, resolved her financial delinquencies, and thrived in her new employment with a Federal contractor. Notwithstanding her financial missteps and misunderstandings, Applicant took significant steps to address and resolve her unfiled FIT and SIT returns. All returns have been filed and approximately $227 remains to be paid. AG ¶ 20(g) applies. Applicant mitigated the financial considerations security concerns.

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 co-worker praised her professionalism, reliability, integrity, sound judgment, and attention to detail. He noted that she had adhered "to company policies, ethical conduct, and accountability in all aspects of her work." Her union representative confirmed that she remains in good standing with her employer and her trade union. Similarly, I found Applicant's testimony to be credible and sincere in her commitment to resolving her financial delinquencies and tax-filing issues. She has thrived in her employment, stabilized her finances, acknowledged her misunderstanding about her unfiled returns, and resolved her error. Ignorance and immaturity may have contributed to her missteps, but she has taken accountability for her errors and taken action to correct them. She mitigated the financial considerations security concerns. Eligibility for access to classified information is granted.

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.e.:	For Applicant

Conclusion

In light of all of the circumstances presented by the record in this case, I conclude that it is clearly consistent with the national interest to grant Applicant's eligibility for access to classified information.

Eric H. Borgstrom
Administrative Judge