DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 25-01405
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Karen A. Moreno-Sayles, Esq., Department Counsel
For Applicant: *Pro se*

09/09/2026

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

Applicant submitted a security clearance application (SCA) on December 4, 2024. On March 2, 2026, the Defense Counterintelligence and Security Agency (DCSA) sent him a Statement of Reasons (SOR) alleging security concerns under Guideline F. The DCSA acted 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 adjudicative guidelines (AG) promulgated in Security Executive Agent Directive 4, National Security Adjudicative Guidelines (December 10, 2016).

Applicant answered the SOR on March 19, 2026, and requested a hearing before an administrative judge. Department Counsel was ready to proceed on May 8, 2026, and the case was assigned to me on July 1, 2026. On July 13, 2026, the Defense Office of Hearings and Appeals (DOHA) notified Applicant that the hearing was scheduled for August 4, 2026. The hearing was convened as scheduled. Government Exhibits (GE) 1 through 4 were admitted in evidence without objection. Applicant testified and offered Applicant Exhibit (AE) A, which was admitted without objection. The record remained open until September 8, 2026, and Applicant offered AE B, a statement and supporting documentation that his 2024 Federal tax return would be filed by September 8, 2026, which was admitted into evidence without objection. DOHA received the transcript (Tr.) on August 18, 2026.

Findings of Fact

In Applicant's Answer he admits that for tax year (TY) 2024 he failed to file, as required, his Federal (SOR ¶ 1.a) and state (SOR ¶ 1.b) income tax returns as required. He admitted he is indebted to the Federal government for delinquent taxes in the approximate amount of $9,091 for TY 2020 (SOR ¶ 1.c). His admissions are accepted as findings of fact. Based on my review of the pleadings, evidence submitted, and testimony, I make the following findings of fact.

Applicant is 34 years old. He graduated high school in 2006. He earned his bachelor's degree in 2013 and master's degree in 2018. He runs a single person limited liability company (LLC). He described the business sector he worked in as "notorious for sleezy deals and handlings." (Tr. 19-24; GE 1; GE 3 at 9.)

Applicant's testified consistent with his Answer that he elected not to file his 2024 taxes "based on the advice of [his] accountant." At the hearing he acknowledged this was not specific, formal advice from his accountant because Applicant had not retained his accountant for TY 2024. The reason he had not retained the accountant was due to Applicant not paying the accountant for the work done on his 2023 tax return. Applicant believed that he would be able to file the returns before the IRS could identify his failure. He based this on his experience serving on an IRS advisory committee. (Tr. 26, 28, 29, 33, 48, 55-56; Answer.) He stated:

> So this is my knowledge from when I was on the IRS Advisory Committee, which is a federal advisory committee. It takes the IRS two years to figure out what's going on before they start issuing notices. And because it was 2024 and my prior knowledge of being on this committee, I said, "Okay. We're going to play in the window." On the business side, it's not that I want to not do these things. I'm doing what I can at the time that I'm dealing with to get through it kind of a thing. And if I know that I have a two-year window before somebody is going to follow up with me and start chasing me down for things, then I might take that two-year window, kind of a thing, and use it to my advantage. Not that I'm not going to do it, not that I'm not going to follow up with it, not that I'm going to say I deny it, but it is one of those things knowing the leverage that I can maximize. (Tr. 28.)

As of the hearing, Applicant had not contacted the IRS about his 2024 taxes. He tried to work out a payment plan with the IRS for the 2020 tax debt. He attempted an aggressive six-month repayment plan to resolve the full debt. However, he could not make any of the $1,000 monthly payments because he was paying other debts related to his business. He does makes random payments when he has extra cash and also relies on the IRS to withhold his refunds, which is why the debt has not grown. He estimated between random payments and refunds that he had paid between $1,500 and $2,000 towards his tax debt in this manner, with the last payment occurring in January 2026. (Answer; Tr. 32-33, 35-36.)

Applicant's explanation at the hearing for his $9,000 tax debt was consistent with his Answer and with what he told the investigator during his interview in February 2025. The debt resulted from a large lump-sum payment from a client on a project at the end of 2020. The client, a large company, never paid the remaining balance, which would have covered the debt to the IRS. Given the size of the client, Applicant's attorney for the matter advised him to drop the litigation because the costs of litigation would have been greater than the recovery. (Answer; Tr. 29, 31-33, 42-43; GE 3 at 9; GE 5 at 8.)

Applicant told the investigator he intended to settle his tax and credit card debt by passively operating his business and building his business portfolio with more contracts while at the same time seeking other full-time employment. In his interrogatory response, he reiterated that by gaining new clients and contracts, the growth would create a better situation to resolving his debts. (GE 4 at 8, 10) He described the business challenges he has been facing as a small business to make his financial obligations, stating:

> So it was to build up my business portfolio and continue building our work so we could get up to a point where we could repay. But then, you know, well, not then, then, you know, but more of as life goes on, I'm working to build a business where I also have to do a lot of education. Education doesn't usually come with payment in regards to [Applicant's area of business]. So we solely developed our relationship with the clients that we currently have, ergo why we are where we are today. And we're receiving the funds that we should have been receiving seven years ago, kind of a thing.
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> With other clients, we had that large client that, as it were, as so eloquently said, stiffed us. And then another one that was in Canada, a private entity that had also gypped us or canceled a check for $30,000 that would have gotten us back up to speed.
>
> So in total, we're looking at about $230,000 that we never received, kind of a thing. And so it's one of those just trying to rectify and make up for the loss of income and stuff, as we also try to pay back our debts for giving the technology. As I was told, when you get into business, especially where we are, especially when you're on the cutting edges, you're going to bleed a lot. And I didn't realize how much blood was going to be let, as it were. (Tr. 34-35.)

Applicant has been growing his business and believes he will have his tax debt resolved by the end of 2026 and no later than April 2027. (Tr. 30-31, 39.) He resolved his debt with his accountant, and the accountant is now able to file his 2024 tax return. However, the accountant wanted to file his 2024 and 2025 tax returns at the same time in October 2026. Applicant filed extensions for both his 2024 and 2025 tax returns. (Tr. 30-31, 44, 47.) When asked his thoughts about turning over the responsibility for filing his taxes to his accountant and who he would then turnover his responsibility to properly handle classified information to, he stated:

> That falls within me, sir. I'd be the one. I'm not one to [parse] out things like that, but areas of in-expertise, like, for instance, if I was working on -- if the company had a classified project that we were working on; or for [Company], we had a classified project we were working on, it's not -- it wouldn't be given to the person that's just in the room, right? It would be given to the person that is supposed to be the expert in the area. (Tr. 56-57.)

Applicant in his post-hearing submission stated noted:

> The payment is scheduled to be paid on 09/08/2026 following my check clearing. Both a copy of my scheduled payment, the outstanding balance, and an email from my accountant on my 2024 tax submittal are attached and hereby submitted as exhibit for DOHA's determination.
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> I apologize that it has taken me the full length of the allowance set, but to make matters right I have pounded the pavement to correct matters and make sure to settle all matters in completion. (AE B.)

Applicant acknowledged he had been asked to address his tax situation at multiple points in the security clearance application process, and he understood his obligations regarding filing and paying taxes. When asked why he could be found trustworthy when he had not filed his taxes, he answered:

> It's a fair question. At the end of the day, the taxes are the one thing that, as I was going to pay back, as I alluded to in my interrogatories, they were the lowest interest rate that I had to worry about. Whereas other collection fees and everything else like that had substantially higher interest rates. So paying back those debts faster allowed me to get out of debt faster, as it were. That's the only reason that I quote/unquote played that game.
>
> But to that same end, to answer your question, I have always worked for the government in my prior existence before starting my own business. Whether it was as a volunteer with the National Park Service or helping out with the FACA Committee or working for state or local government. My goal isn't to short anybody, as it were. My goal is to try to help people out and do the right thing. Ergo, wanting to get into government contracting where my role is typically a classified position on that realm. And so we could stabilize our income better by doing the things that we need to do and doing the jobs we want to do.

> But I understand why the Government would be concerned with me operating a business. The only thing I can ask for, the only clemency I can ask for, is that I'm doing this all without any funding except for loans from my parents. But they are just that. They are loans. And if I think the creditors that I'm going out and taking loans against -- well, the loans I used to take out -- are worse, no one has met my mother as of yet, as it were. So it is one of those situations where I'm doing the best I can to do what I can to continue growing this business and helping out those that need my help. Otherwise, it is going to work for somebody else and just taking a job back in the regular market. (Tr. 49-50.)

Policies

This case is adjudicated under 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), 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 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 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 Exec. Or. 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* Exec. Or. 12968, Section 3.1(b) (listing multiple prerequisites for access to classified or sensitive information).

Analysis

Financial Considerations

AG ¶ 18 articulates the security concern for financial problems:

> 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 Appeal Board explained the scope and rationale for the financial considerations security concern in ISCR Case No. 11-05365 at 3 (App. Bd. May 1, 2012) (citation omitted) as follows:

> This concern is broader than the possibility that an applicant might knowingly compromise classified information in order to raise money in satisfaction of his or her debts. Rather, it requires a Judge to examine the totality of an applicant's financial history and circumstances. The Judge must consider pertinent evidence regarding the applicant's self-control, judgment, and other qualities essential to protecting the national secrets as well as the vulnerabilities inherent in the circumstances. The Directive presumes a nexus between proven conduct under any of the Guidelines and an applicant's security eligibility.

AG ¶ 19 includes disqualifying conditions that could raise a security concern and may be disqualifying 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 record establishes the disqualifying conditions in AG ¶¶ 19(a), 19(c), and 19(f), requiring additional inquiry about the possible applicability of mitigating conditions.

The potentially applicable financial considerations mitigating conditions under AG ¶ 20 are as follows:

> (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.

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 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). As with the application of any mitigating condition, the judge must examine the record evidence and decide whether the favorable evidence outweighs the unfavorable evidence, or *vice versa*. *See* ISCR Case No. 17-01807 at 3 (App. Bd. Mar. 7, 2018).

AG ¶¶ 20(a) and 20(b) are not established for SOR ¶¶ 1.a through 1.c. Applicant testified he still had not filed his outstanding Federal or state income tax returns after receiving the Government’s interrogatories. He still has unpaid Federal taxes of over $9,000 and is not under a payment plan. He admitted he made a business decision on what debts and duties he would prioritize. He waited to address his tax issues only after his security clearance was in jeopardy, which cast doubt on his current reliability, trustworthiness, and good judgment.

AG ¶ 20(g) is not established. Applicant failed to timely file his Federal and state income tax returns for TY 2024. At the adjournment of the hearing, he still had not filed his outstanding Federal or state income tax returns and was not under a payment plan. He made a business decision based on the interest rates to not pay his tax debt and focused on other debts with collection fees and higher interest rates. His post-hearing submission indicates that his unfiled taxes and his tax debt will be resolved on date the hearing closes.

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). *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).

Applicant's explanation that he prioritized other financial matters over filing his taxes, while sympathetic, is not a legal justification. His failure in ensuring he was compliant with tax laws demonstrates poor judgment and 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)).

Applicant resolved his Federal tax debt and late taxes after the hearing adjourned. In ISCR Case No. 15-06440 at 4 (App. Bd. Dec. 26, 2017) the Appeal Board reversed the grant of a security clearance, discussed how AG ¶ 20(g) applied, and noted:

> The timing of the resolution of financial problems is an important factor in evaluating an applicant's case for mitigation because an applicant who begins to resolve financial problems only after being placed on notice that his clearance was in jeopardy may lack the judgment and self-discipline to follow rules and regulations over time or when there is no immediate threat to his own interests…applicant's filing of his Federal income tax returns for 2009-2014 after submitting his SCA, undergoing his background interview, or receiving the SOR undercuts the weight such remedial action might otherwise merit. *Id*.

Under all the circumstances, Applicant has not mitigated his failure to timely file his Federal or state income tax returns for the tax year in question or timely resolve his Federal tax debt for the tax year in question.

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 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), "[t]he ultimate determination" of whether to grant a security clearance "must be an overall common-sense judgment based upon careful consideration of the guidelines" and the whole-person concept. My comments under Guideline F are incorporated in my whole-person analysis. I considered Applicant's volunteer activities within government and the credible way in which he presented his testimony. Further, his motivation for the conduct, to save his business by dealing with other financial matters over resolving his tax issues, while sympathetic, raises questions of how he would deal with potential pressure, coercion, exploitation, or duress.

It is well settled that once a concern arises regarding an applicant's security clearance eligibility, there is a strong presumption against granting a security clearance. *See Dorfmont*, 913 F.2d at 1401. "[A] favorable clearance decision means that the record discloses no basis for doubt about an applicant's eligibility for access to classified information." ISCR Case No. 18-02085 at 7 (App. Bd. Jan. 3, 2020) (citing ISCR Case No.12-00270 at 3 (App. Bd. Jan. 17, 2014)).

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 making his payments on time, 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

I conclude that it is not clearly consistent with the interests of national security of the United States to grant or continue Applicant's national security eligibility for access to classified information. Eligibility for access to classified information is denied.

Charles C. Hale
Administrative Judge