DEFENSE LEGAL SERVICES AGENCY
DEFENSE OFFICE OF HEARINGS AND APPEALS

In the matter of:	)	
	)	
	)	ISCR Case No. 25-01456
	)	
Applicant for Security Clearance	)	

Appearances

For Government: Geroge Hawkins, Esq., Department Counsel
For Applicant: Samir Nakhleh

08/27/2026

Decision

HYAMS, Ross D., Administrative Judge:

Applicant failed to mitigate the financial considerations security concerns. Eligibility for access to classified information is denied.

Statement of the Case

On May 17, 2024, Applicant submitted a security clearance application (SCA). On December 12, 2025, the Defense Counterintelligence and Security Agency (DCSA) issued a Statement of Reasons (SOR) to Applicant detailing security concerns under Guideline F (financial considerations). Applicant answered the SOR on February 3, 2026, and requested a hearing before an administrative judge.

The case was assigned to me on May 8, 2026. The hearing was convened on July 8, 2026. Department Counsel submitted Government Exhibits (GE) 1-4, which were admitted in evidence without objection. Applicant submitted Applicant's Exhibits (AE) A-FF, which were admitted without objection.

SOR Amendment

On March 19, 2026, Department Counsel amended the SOR to add an allegation:

¶ 1.c: You are indebted to the Federal Government for delinquent taxes in the amount of $27,975 for tax year(s) 2023 and 2024. As of the date of this Statement of Reasons the taxes remain unpaid.

On July 6, 2026, Department Counsel amended ¶ 1.c to update the amount of taxes owed to $42,173. There was no objection to the amendments.

Findings of Fact

Applicant admitted SOR allegations SOR ¶¶ 1.a-1.c, with explanation. Based on my review of the pleadings, evidence submitted, and testimony, I make the following findings of fact.

Applicant is 44 years old. She married in 2011. In late 2018, she and her husband separated for 11 months and then reconciled. She has one minor child. She graduated high school in 2000 and earned a bachelor's degree in 2005. She has worked for her employer, a government contractor, since March 2024 as a staff software engineer. Prior to that employment, she worked for a large technology company from 2019-2023. She was unemployed for four months from late 2023 to early 2024. Before that, her last period of unemployment was from 2016-2018, after having her son. (Tr. 17-20)

Under Guideline F, the allegations are as follows:

SOR ¶ 1.a alleges Applicant failed to timely file state and federal income tax returns for tax years 2020 through 2023.

Applicant submitted IRS tax account transcripts dated July 6, 2026. From these records, it is not clear that returns were filed for tax years 2020 and 2021. Both account transcripts for these years have "no tax return filed" at the top of the transactions section. While Applicant submitted evidence that her tax preparer was hired to produce these returns, the IRS did not register either as filed two days prior to the hearing. The 2020 transcript shows a $387 payment for taxes owed on January 28, 2026, which is listed as "payment with return." (Tr. 21-46; GE 1, 2, 4; AE I, O-U, V)

The IRS tax account transcripts show that Applicant's 2022 return was filed in February 2026; returns for 2023 and 2024 were filed in January 2026; and returns for 2019 and 2025 were timely filed. The record also shows Applicant did not hire a tax service to prepare her 2020-2024 state and federal returns until January 2026, which is after she received the SOR. (Tr. 21-46; GE 1, 2, 4; AE I, O-U, V)

On her SCA, Applicant provided an explanation for not filing her taxes and wrote she did not owe any tax debts, which was untrue. She stated:

> A series of unforeseen life challenges significantly impacted our ability to manage our financial affairs in a timely manner. These challenges began with the overwhelming demands of caring for our prematurely born child,

> followed by the emotional strain of marital strife, and culminating in the mental toll of the COVID-19 lockdowns. While these events undeniably contributed to the initial oversight, we take full responsibility for not filing our taxes on time. (GE 1)

At the hearing, Applicant was asked why her 2020-2024 income tax returns were submitted late. She cited her son's premature birth in 2016 and her 2018 separation from her husband. She reported she had apartment rental expenses during their separation, about $1,270 monthly during this time. Additionally, she cited: her husband's COVID-19 pandemic-related job loss for a few months in 2020; an anaphylactic allergic reaction she had to an unknown allergy in mid-2020; her aunt passed away from cancer in 2020; her father and an uncle passed away in 2021; and another uncle passed away in 2023. She claimed she was treated unfairly by her then employer in 2023 and was laid off later that year. She received one month of severance pay and relied on savings until she started her new job. She testified that she and her husband had always filed their taxes as married filing jointly, and she has been "hands off" with tax filings. (Tr. 21-71; AE A-D, I)

Applicant's 2020-2024 State B tax returns were also filed late. She submitted a receipt from State B showing that she paid a state tax debt for $241 from her 2021 taxes on July 6, 2026, two days before the hearing. She also submitted a refund check from State B, dated June 15, 2026. The check is labeled "2025" and appears to be a refund for $265 from her 2025 State B taxes. She asserts this refund shows her State B taxes are current. However, there is no independent documentation in the record showing that her State B taxes for 2022-2024 are filed or resolved. (Tr. 46-71; GE 2; AE EE, FF)

SOR ¶ 1.b alleges Applicant is indebted to one or more tax authorities for unpaid taxes in the approximate amount of $66,000. Applicant's husband used to travel to State A for work between 2014 and 2016. He worked there frequently enough that he incurred a tax responsibility to State A. Since their tax returns are married filing jointly, she is also responsible for this debt. She claimed they were not notified of the debt until 2019. They questioned whether the debt was erroneous but did not investigate further. She cited the same reasons for failing to file her state and federal income taxes, as discussed above, for not addressing this tax debt. (Tr. 21-46; GE 1-4)

In about March 2024, State A put a tax lien on Applicant's house. In about 2025, she and her husband set up a payment plan with State A for $2,000 monthly. A billing notice from June 4, 2026, shows the balance as $33,846. (GE 1, 3; AE E, BB)

On Applicant's SCA, she wrote an explanation for this tax debt to State A:

> Unfortunately, in late March of this year I learned that my husband owes taxes based on previous employment. The amount is for approximately $66k, and as a result of these delinquent taxes a state lien has been placed against our house. For this reason and because we file jointly, I have placed that the debt we owe in the box above is estimated to be [$]66K for the year 2023. We are actively gathering tax documents and seeking out a qualified

> CPA to help us establish a payment plan to ensure full compliance with our tax obligations moving forward. (GE 1)

SOR ¶ 1.c alleges Applicant is indebted to the Federal Government for delinquent taxes in the amount of $42,173, for tax years 2022, 2023, and 2024.

The IRS tax account transcripts in the record show the following debts: $2,035 for 2022; $25,269 for 2023; and $14,969 for 2024. (AE Y, Z, AA)

Applicant claimed she established a payment plan. She submitted documentation showing that she made a $100 payment for her 2024 taxes in February 2026. However, the record shows she did not establish a payment plan with the IRS until April 2026. She submitted documentation that her first payment of $250 was made on May 27th. She stated she made the June payment but did not provide documentation of that or other payments. She testified that her payment plan is to pay the IRS $250 monthly for the first year, then it increases to $565 monthly. (Tr. 21-46; AE G, Y, Z, AA)

Despite their married joint tax flings, Applicant and her husband keep their money separate. She reported she earns about $117,000 yearly, and their currently combined monthly income is $4,000. Applicant stated her husband is working at a startup and thought he is currently receiving stock as payment, however looking at the tax account records from 2025, this does not appear to be the case. Overall, she was unsure of her husband's income, savings, and finances, currently or in the past. (Tr. 21-74)

The IRS tax account transcripts show their combined income as: $247,759 for 2019; $280,770 for 2022; $339,483 for 2023; $299,827 for 2024; and $297,135 for 2025. Her mortgage is about $36,000 yearly, and the State A tax debt is about $24,000 yearly. She thought her 401(k) retirement savings account was worth about $300,000. She is putting 7-10% of her income in her 401(k) retirement savings account and she has about $5,000 in her savings account. She thought her husband was putting 15% of his income into his 401(k) retirement savings account and she had no idea of the balance. She does not know what happens to the rest of their income. (Tr. 46-74; AE O-U)

Applicant reported her monthly expenses as her mortgage of $3,000 and her tax debt to State A of $2,000. She reported her joint monthly income as only $4,000. Considering their $250 monthly federal tax debt, utilities, groceries, as well as home, car and child expenses, which were not reported, they likely have a significant monthly income deficit from their expenses. She stated she is using savings and taking money out of her 401(k)-retirement savings account to make up the difference. She claimed she knew that the withdrawal from her 401(k)-retirement savings account would create new tax obligations, but she has not discussed this matter with their tax preparer. She has not had financial counseling. (Tr. 21-74)

Applicant submitted six character letters, two linked-in recommendations, performance reviews and appraisals, college transcripts, a resume, and certificates. (AE J-N, CC, DD)

Policies

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

When evaluating an applicant's suitability for a security clearance, the administrative judge must consider the adjudicative guidelines. In addition to brief introductory explanations for each guideline, the adjudicative guidelines list potentially disqualifying conditions and mitigating conditions, which are to be used in evaluating an applicant's eligibility for access to classified information.

These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, administrative judges apply the guidelines in conjunction with the factors listed in the adjudicative process. The administrative judge's overarching adjudicative goal is a fair, impartial, and commonsense decision. According to AG ¶ 2(c), the entire process is a conscientious scrutiny of a number of variables known as the "whole-person concept." The administrative judge must consider all available, reliable information about the person, past and present, favorable and unfavorable, in making a decision. The protection of the national security is the paramount consideration. AG ¶ 2(b) requires that "[a]ny doubt concerning personnel being considered for national security eligibility will be resolved in favor of the national security."

Under Directive ¶ E3.1.14, the Government must present evidence to establish controverted facts alleged in the SOR. Under Directive ¶ E3.1.15, the applicant is responsible for presenting "witnesses and other evidence to rebut, explain, extenuate, or mitigate facts admitted by the applicant or proven by Department Counsel." The applicant has the ultimate burden of persuasion to obtain a favorable security decision.

A person who seeks access to classified information enters 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 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.

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

The guideline notes conditions that could raise security concerns under AG ¶ 19. The following are applicable in this case:

> (a) inability to satisfy debts;
>
> (c) 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.

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;

(e) the individual has a reasonable basis to dispute the legitimacy of the past-due debt which is the cause of the problem and provides documented proof to substantiate the basis of the dispute or provides evidence of actions to resolve the issue; 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.

The Appeal Board has held: "Failure to file 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." ISCR Case No. 01-05340 at 3 (App. Bd. Dec. 20, 2002). "As we have noted in the past, a clearance adjudication is not directed at collecting debts." *See, e.g.*, ISCR Case No. 07-08049 at 5 (App. Bd. Jul. 22, 2008). "By the same token, neither is it directed toward inducing an applicant to file tax returns. Rather, it is a proceeding aimed at evaluating an applicant's judgment and reliability." *Id*. "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).

None of the mitigating conditions apply. Applicant and her husband failed to timely file their 2020-2024 federal and State B income tax returns. Although their 2020 and 2021 returns should have been filed in about January 2026, over five months later there is insufficient evidence to find that these returns were properly filed or accepted. There is insufficient documentation to find that her State B 2022-2024 income tax returns were properly filed or accepted. The fact that she received a refund check for her 2025 state taxes, before her 2021 tax debt was paid, undermines her assertion that the refund check proves her State B tax debts are resolved.

Applicant testified about the reasons she was unable to timely file her relevant tax returns for a five-year period. She cited her son's premature birth, which occurred five years before the 2020 returns were due in mid-2021. She cited her separation from her husband, which occurred two years before the 2020 returns were due. All the other reasons she cited in the 2020-2023 time period were unfortunate, but there is no evidence she acted responsibly under the circumstances.

Applicant and her husband now owe the IRS about $42,173, and State A about $33,846. While the State A debt is being paid, the record shows that they are not doing so voluntarily. It was not until State A put a lien on their house that they took action to investigate and resolve the debt. Similarly, it was not until after she received the SOR and her security clearance application was in jeopardy that they took action to hire a tax professional, file missing tax returns, and eventually make a payment arrangement with the IRS. There is documentation of one payment on the plan in the record. She has not established a track record of tax payments or adhering to a payment plan with the IRS. She has not established a track record of timely income tax return filings.

The record shows that Applicant is not currently financially stable. She likely has a significant monthly deficit in her income from her expenses. She does not know her husband's finances or what is happening to the majority of their yearly income. Her failure to pay her delinquent tax debt is recent, not isolated, and ongoing. It cannot be found to occur due to circumstances beyond her control or unlikely to recur, and she has not acted responsibly. She did not provide sufficient evidence to find the problem is under control, that she is adhering to a good faith effort to resolve debt, or that she has a reasonable basis to dispute the legitimacy of the debts. All of this continues to cast doubt on her current reliability, trustworthiness, and judgment.

Whole-Person Concept

Under the whole-person concept, the administrative judge must evaluate an applicant's eligibility for a security clearance by considering the totality of the applicant's conduct and all relevant circumstances. The administrative judge should consider the nine adjudicative process factors listed at AG ¶ 2(d):

> (1) the nature, extent, and seriousness of the conduct; (2) the circumstances surrounding the conduct, to include knowledgeable participation; (3) the frequency and recency of the conduct; (4) the individual's age and maturity at the time of the conduct; (5) the extent to which participation is voluntary; (6) the presence or absence of rehabilitation and other permanent behavioral changes; (7) the motivation for the conduct; (8) the potential for pressure, coercion, exploitation, or duress; and (9) the likelihood of continuation or recurrence.

Under AG ¶ 2(c), the ultimate determination of whether to grant 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 considered her character letters, professional documentation, and service to the government working for a government contractor. I have incorporated my comments under Guideline F in my whole-person analysis.

Overall, the record evidence leaves me with questions and doubts about Applicant's eligibility for a security clearance. I conclude that Applicant has not mitigated the 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 eligibility for access to classified information 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

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

____
Ross D. Hyams
Administrative Judge