

GAO Highlights

Highlights of [GAO-13-733](#), a report to congressional requesters

Why GAO Did This Study

As of October 2012, about 4.9 million civilian and military employees and contractors held a security clearance. Federal laws do not prohibit an individual with unpaid federal taxes from holding a security clearance, but tax debt poses a potential vulnerability. GAO was requested to review tax-debt detection during the clearance process. GAO examined (1) the number of individuals with unpaid federal taxes, if any, in the OPM security-clearance database and the magnitude of any federal tax debt, and (2) the extent to which federal agencies have mechanisms to detect unpaid tax debt during the security-clearance-approval process.

GAO compared OPM's security-clearance information to the IRS's known tax debts. To provide examples, GAO conducted a detailed review of IRS and security adjudication files of 13 individuals selected, in part, on the basis of tax debt amount and type of security clearance. GAO also reviewed relevant laws and regulations and interviewed officials from the Office of the Director of National Intelligence (ODNI), Treasury, OPM, and three selected federal agencies that represented more than half of the clearance holders in OPM's database.

What GAO Recommends

GAO recommends that ODNI study the feasibility of federal agencies routinely obtaining federal debt information from Treasury for the purposes of investigating and adjudicating clearance applicants, as well as for monitoring current clearance holders' tax-debt status. ODNI agreed with GAO's recommendation.

View [GAO-13-733](#). For more information, contact Stephen M. Lord at (202) 512-6722 or lords@gao.gov.

September 2013

SECURITY CLEARANCES

Additional Mechanisms May Aid Federal Tax-Debt Detection

What GAO Found

About 8,400 individuals adjudicated as eligible for a security clearance from April 2006 to December 2011 owed approximately \$85 million in unpaid federal taxes, as of June 2012. This represents about 3.4 percent of the civilian executive-branch employees and contractors who were favorably adjudicated during that period. GAO found that about 4,700 of the approximately 8,400 individuals were federal employees while the remainder was largely federal contractors. Additionally, about 4,200 of these individuals had a repayment plan with the Internal Revenue Service (IRS) to pay back their debt. For this review, GAO used clearance data from the Office of Personnel Management (OPM) Central Verification System (CVS) database. The CVS database does not maintain information on the denial of security clearances on the basis of an individual's nonpayment of federal taxes. Thus, GAO was not able to determine the number of individuals who were denied security clearances for this reason.

Federal agencies have established mechanisms aimed at identifying unpaid federal tax debt of security-clearance applicants; however, these mechanisms have limitations. To detect federal tax debt for clearance applicants, federal investigators primarily rely on two methods: (1) applicants self-reporting tax debts; and (2) validation techniques, such as the use of credit reports or in-person interviews. Each of these methods has shortcomings in detecting unpaid federal tax debts of clearance applicants. For example, credit reports are the primary method for identifying tax debt that was not self-reported, but these reports only contain information on tax debts for which the IRS filed a lien on the debtor's property. According to GAO's analysis, 5 percent of the 8,400 delinquent taxpayers who were favorably adjudicated as eligible for security clearances had a tax lien filed on them. Additionally, federal agencies generally do not routinely review federal tax compliance of clearance holders. There is no process to detect unpaid federal tax debts accrued after an individual has been favorably adjudicated unless it is self-reported, reported by a security manager due to garnishment of wages, or discovered during a clearance renewal or upgrade. GAO's analysis found that 6,300 individuals (approximately 75 percent) accrued their tax debt after approval of the security clearance.

Additional mechanisms that provide large-scale, routine detection of federal tax debt could improve federal agencies' ability to detect tax debts owed by security-clearance applicants and current clearance holders, but statutory privacy protections limit access to this information. Federal agencies may obtain information on federal tax debts directly from the IRS if the applicant provides consent. In addition, federal agencies do not have a mechanism, such as one that the Department of the Treasury (Treasury) uses, to collect delinquent federal debts. Such information could help federal agencies perform routine, automated checks of security-clearance applicants to determine whether they have unpaid federal debts, without compromising statutory privacy protections. Such a mechanism could also be used to help monitor current clearance holders' tax-debt status. Gaining routine access to this federal debt information, if feasible, would better position federal agencies to identify relevant financial and personal-conduct information to make objective assessments of eligibility for security-clearance applicants and continued eligibility of current clearance holders.