

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:		
	:	CRIMINAL NO.	_____
v.	:		
	:	DATE FILED:	_____
VERNON WALKER	:		
PEARL SCOTT	:	VIOLATIONS:	18 U.S.C. § 371
	:		(Conspiracy to
	:		Defraud the United
	:		States – 1 count)
	:		26 U.S.C. §7206(2)
	:		(Aiding Preparation
	:		of False Tax Return
	:		– 13 counts)

INDICTMENT

THE GRAND JURY CHARGES THAT:

COUNT ONE

At all times material to this Indictment:

THE PARTICIPANTS

1. Defendant VERNON WALKER was a resident of the City of Philadelphia who took accounting courses at Cheney University for four years and participated in the Internal Revenue Service’s (“IRS”) Income Tax Assistance Program.

2. From in or about 1986 until in or about Spring 2001, defendant VERNON WALKER was self-employed as a tax preparer, who assisted customers in preparing tax returns for a cash fee.

3. From in or about 1988 until in or about Spring 2001, defendant VERNON WALKER operated his tax preparation business under the name VMW Tax and Financial Consultants (“VMW Tax”) at 1425 Point Breeze Avenue in Philadelphia.

4. Defendant PEARL SCOTT was a resident of the City of Philadelphia who took accounting courses at a community college and was employed as a tax preparer from at least 1996 until the present.

THE CONSPIRACY

5. From at least in or about 1996 through at least on or about April 15, 1999, in the Eastern District of Pennsylvania, defendants

VERNON WALKER and
PEARL SCOTT

and others known and unknown to the Grand Jury, willfully conspired and agreed, together and with each other, to defraud the United States by impeding, impairing, obstructing, and defeating the lawful governmental functions of the IRS in the ascertainment, computation, assessment, and collection of revenue, specifically, individual income tax, under the circumstances and by the means and methods set forth in this count.

MANNER AND MEANS

6. It was part of the conspiracy that: from in or about 1996 until in or about 1999, defendant PEARL SCOTT was employed as a tax preparer at VMW Tax, working under the direction of defendant VERNON WALKER. SCOTT was trained by WALKER on the

preparation of tax returns and was given instructional materials prepared by the IRS on the proper preparation of a Federal Individual Income Tax Return, IRS Form 1040 (“Form 1040”), which includes information on the proper preparation of Schedule A itemized deductions and Schedule C business losses, among other things.

It was a further part of the conspiracy that:

7. Defendants VERNON WALKER and PEARL SCOTT charged clients a cash fee for preparing tax returns ranging from approximately \$70 to \$250 per return. The amount of the fee depended upon whether the client was a repeat customer. Typically, a client would receive a \$5 discount for each year that WALKER or SCOTT prepared a return after the first year.

8. Defendants VERNON WALKER and PEARL SCOTT falsely prepared Forms 1040 and related schedules by, among other things, claiming exemptions to which the taxpayers were not entitled, falsifying the filing status of taxpayers, claiming the Earned Income Tax Credit for taxpayers who were not entitled to receive it, inflating or inventing fictitious Schedule A itemized deductions, and inflating or inventing Schedule C business losses.

9. Defendants VERNON WALKER and PEARL SCOTT created a steady flow of business at VMW Tax by ensuring that customers received a refund each year at least as large as the refund that the customers received the previous year.

10. Defendants VERNON WALKER and PEARL SCOTT primarily served members of the Philadelphia area’s Vietnamese and Cambodian immigrant communities, many of whom spoke or read little English and relied upon WALKER and SCOTT properly to prepare their tax returns. Defendants WALKER and SCOTT did not speak Vietnamese or Cambodian.

11. During the tax preparation interview, defendants VERNON WALKER and PEARL SCOTT asked virtually no questions and relied on the taxpayer's Form W-2 to prepare the customer's tax return. Defendants WALKER and SCOTT created fictitious Schedule A deductions and Schedule C business losses without asking the taxpayer whether he or she had incurred the expenses or losses listed in the schedules, including but not limited to personal property taxes, medical expenses, and charitable contributions. Defendants WALKER and SCOTT routinely claimed deductions for non-deductible expenses, such as home improvement expenses and utility payments (for example, gas, electric, water, or telephone).

12. Defendants VERNON WALKER and PEARL SCOTT prepared Forms 1040 that falsely claimed that a taxpayer had exemptions for dependents knowing that the taxpayer was not entitled to claim those exemptions, falsely claimed filing status (for example, head of household), and falsely claimed the Earned Income Tax Credit.

13. From in or about 1997 until on or about April 15, 1999, defendants VERNON WALKER and PEARL SCOTT falsely prepared at least approximately 312 Forms 1040 for tax years 1996, 1997, and 1998 on behalf of at least approximately 241 taxpayers, which caused the IRS to calculate and provide refunds to which the taxpayers were not entitled and resulted in a tax loss of at least approximately \$546,042.

OVERT ACTS

In furtherance of the conspiracy, and to accomplish its objects, defendants VERNON WALKER and PEARL SCOTT and others known and unknown to the Grand Jury committed the following overt acts, among others, in the Eastern District of Pennsylvania:

14. On or about March 21, 1996, defendant PEARL SCOTT prepared a 1995 Form 1040 for an undercover federal agent posing as a taxpayer that falsely claimed an exemption for a dependent child, head of household filing status, and the Earned Income Tax credit, knowing that the undercover federal agent was not entitled to this exemption, status, and credit, which would have resulted in a refund of approximately \$2,172, when the undercover federal agent should have paid additional tax of approximately \$154. During the tax preparation interview, SCOTT told undercover federal agent, “we make sure you get your money, that’s for sure.”

15. On or about March 1, 1997, defendant VERNON WALKER prepared a 1996 Form 1040 for a taxpayer known to the grand jury and identified here by the initials I.C. that falsely claimed Schedule A deductions totaling approximately \$11,877, knowing that I.C. was not entitled to that amount in deductions, which resulted in a refund of approximately \$3,140 and caused a tax loss of approximately \$902.

16. On or about March 9, 1997, defendant VERNON WALKER prepared a 1996 Form 1040 for a taxpayer known to the grand jury and identified here by the initials C.L. that falsely claimed Schedule A deductions totaling approximately \$12,521, knowing that C.L. was not entitled to that amount in deductions, which resulted in a refund of approximately \$1,395 and caused a tax loss of approximately \$1,223.

17. On or about April 8, 1997, defendant VERNON WALKER prepared a 1996 Form 1040 for an undercover federal agent posing as a taxpayer that falsely claimed Schedule A deductions totaling approximately \$9,788, knowing that the undercover federal agent was not entitled to that amount in deductions, which would have resulted in a refund of approximately \$1,291, when the undercover federal agent should have paid additional tax of approximately

\$178. During the tax preparation interview, WALKER informed the undercover federal agent that her employer was under-withholding tax but told her “Oh, you’re not going to owe, not with me, you never owe.”

18. On or about January 21, 1998, defendant VERNON WALKER prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials A.L. that falsely claimed Schedule C business loss totaling approximately \$15,159, knowing that A.L. was not entitled to that amount in business loss, which resulted in a refund of approximately \$2,259 and caused a tax loss of approximately \$1,999.

19. On or about January 23, 1998, defendant VERNON WALKER prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials K.L. that falsely claimed Schedule C business loss totaling approximately \$16,137, knowing that K.L. was not entitled to that amount in business loss, which resulted in a refund of approximately \$2,370 and caused a tax loss of approximately \$2,164.

20. On or about January 29, 1998, defendant VERNON WALKER prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials C.T. that falsely claimed Schedule A deductions totaling approximately \$16,420, knowing that C.T. was not entitled to that amount in deductions, which resulted in a refund of approximately \$3,555 and caused a tax loss of approximately \$1,425.

21. On or about February 17, 1998, defendant PEARL SCOTT prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials I.C. that falsely claimed Schedule A deductions totaling approximately \$15,694, knowing that I.C. was not

entitled to that amount in deductions, which resulted in a refund of approximately \$3,113 and caused a tax loss of approximately \$1,447.

22. On or about February 28, 1998, defendants VERNON WALKER and PEARL SCOTT prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials S.C. that falsely claimed Schedule A deductions totaling approximately \$15,952, knowing that S.C. was not entitled to that amount in deductions, which resulted in a refund of approximately \$2,263 and caused a tax loss of approximately \$1,483.

23. On or about March 2, 1998, defendant PEARL SCOTT prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials R.S. that falsely claimed Schedule A deductions totaling approximately \$14,089, knowing that R.S. was not entitled to that amount in deductions, which resulted in a refund of approximately \$2,092 and caused a tax loss of approximately \$1,492.

24. On or about March 8, 1998, defendant PEARL SCOTT prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials H.M. that falsely claimed Schedule A deductions totaling approximately \$18,466, knowing that H.M. was not entitled to that amount in deductions, which resulted in a refund of approximately \$1,791 and caused a tax loss of approximately \$2,152.

25. On or about March 16, 1998, defendants VERNON WALKER and PEARL SCOTT prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials C.T. that falsely claimed Schedule A deductions totaling approximately \$14,563, knowing that C.T. was not entitled to that amount in deductions, which resulted in a refund of approximately \$1,786 and caused a tax loss of approximately \$1,562.

26. In or about Spring 1998, defendant PEARL SCOTT prepared a 1997 Form 1040 for a taxpayer known to the grand jury and identified here by the initials L.S. that falsely claimed Schedule A deductions totaling approximately \$8,864, knowing that L.S. was not entitled to that amount in deductions, which resulted in a refund of approximately \$3,489 and caused a tax loss of approximately \$293.

27. On or about January 31, 1999, defendants VERNON WALKER and PEARL SCOTT prepared a 1998 Form 1040 for a taxpayer known to the grand jury and identified here by the initials D.A.L. that falsely claimed Schedule A deductions totaling approximately \$17,526, knowing that D.A.L. was not entitled to that amount in deductions, which resulted in a refund of approximately \$1,415 and caused a tax loss of approximately \$1,695.

28. In or about Spring 1999, defendant VERNON WALKER prepared a 1998 Form 1040 for a taxpayer known to the grand jury and identified here by the initials V.N. that falsely claimed Schedule A deductions totaling approximately \$11,954, knowing that V.N. was not entitled to that amount in deductions, which resulted in a refund of approximately \$1,607 and caused a tax loss of approximately \$848.

All in violation of Title 18, United States Code, Section 371.

COUNTS TWO THROUGH FOUR

THE GRAND JURY FURTHER CHARGES THAT:

29. Paragraphs 1 through 4 and 6 through 12 of Count One are incorporated here.

30. On or about the dates listed below, in the Eastern District of Pennsylvania,
defendants

VERNON WALKER
PEARL SCOTT

willfully aided, assisted, procured, counseled, and advised the preparation and presentation under the internal revenue laws, of individual income tax returns, IRS Forms 1040 (“Forms 1040”) and related schedules listed below, for taxpayers identified below, which were fraudulent or false as to a material matter, that is, they included false and inflated Schedule A deductions, which defendants WALKER and SCOTT knew to be false and inflated:

<u>Count</u>	<u>Taxpayer Initials</u>	<u>Date</u>	<u>Tax Year</u>	<u>False Schedule A</u>
2	S.C.	2/28/98	1997	\$15,952
3	C.T.	3/16/98	1997	\$14,563
4	D.A.L.	1/31/99	1998	\$17,526

In violation of Title 26, United States Code, Section 7206(2).

COUNTS FIVE THROUGH TEN

THE GRAND JURY FURTHER CHARGES THAT:

31. Paragraphs 1 through 4 and 6 through 12 of Count One are incorporated here.
32. On or about the dates listed below, in the Eastern District of Pennsylvania,
defendant

VERNON WALKER

willfully aided, assisted, procured, counseled, and advised the preparation and presentation under the internal revenue laws, of individual income tax returns, IRS Forms 1040 ("Forms 1040") and related schedules listed below, for taxpayers identified below, which were fraudulent or false as to a material matter, that is, they included false and inflated Schedule A deductions and Schedule C business losses, which defendant WALKER knew to be false and inflated:

<u>Count</u>	<u>Taxpayer Initials</u>	<u>Date</u>	<u>Tax Year</u>	<u>False Schedule A/ Schedule C</u>
5	I.C.	3/1/97	1996	Sch. A – \$11,877
6	C.L.	3/9/97	1996	Sch. A – \$12,521
7	A.L.	1/21/98	1997	Sch. C – \$15,159
8	K.L.	1/23/98	1997	Sch. C – \$16,137
9	C.T.	1/29/98	1997	Sch. A – \$16,420
10	V.N.	Spring 1999	1998	Sch. A – \$11,954

In violation of Title 26, United States Code, Section 7206(2).

COUNTS ELEVEN THROUGH FOURTEEN

THE GRAND JURY FURTHER CHARGES THAT:

33. Paragraphs 1 through 4 and 6 through 12 of Count One are incorporated here.

34. On or about the dates listed below, in the Eastern District of Pennsylvania,
defendant

PEARL SCOTT

willfully aided, assisted, procured, counseled, and advised the preparation and presentation under the internal revenue laws, of individual income tax returns, IRS Forms 1040 ("Forms 1040") and related schedules listed below, for taxpayers identified below, which were fraudulent or false as to a material matter, that is, they included false and inflated Schedule A deductions, which defendant SCOTT knew to be false and inflated:

<u>Count</u>	<u>Taxpayer Initials</u>	<u>Date</u>	<u>Tax Year</u>	<u>False Schedule A</u>
11	I.C.	2/17/98	1997	\$15,694
12	R.S.	3/2/98	1997	\$14,089
13	H.M.	3/8/98	1997	\$18,466

<u>Count</u>	<u>Taxpayer Initials</u>	<u>Date</u>	<u>Tax Year</u>	<u>False Schedule A</u>
14	L.S.	Spring 1998	1997	\$8,864

In violation of Title 26, United States Code, Section 7206(2).

A TRUE BILL:

GRAND JURY FOREPERSON

PATRICK L. MEEHAN
United States Attorney