

KOH

TMS/TPW: USAO 2019R00109

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

UNITED STATES OF AMERICA

v.

EDWARD SCOTT FINN,

Defendant

*
*
*
*
*
*
*

CASE NO. GLS-21-1156

UNDER SEAL

AFFIDAVIT IN SUPPORT OF CRIMINAL COMPLAINT AND ARREST WARRANT

Your Affiant, Rachel Solomon, being duly sworn, deposes and states the following:

Introduction and Agent Background

1. Your Affiant is an investigative or law enforcement officer of the United States, within the meaning of 18 U.S.C. § 2510(7), and is empowered by law to conduct investigations and to make arrests pursuant to 26 U.S.C. § 7608 for Title 26 offenses.

2. Your Affiant is currently a Special Agent with the Internal Revenue Service – Criminal Investigation (hereafter, “IRS-CI”) in its Rockville, Maryland, office and has been so employed since September 2016. My duties include the investigation of federal criminal offenses, including money laundering and criminal tax violations.

3. Because this affidavit is being submitted for the limited purpose of establishing probable cause for the issuance of a complaint and arrest warrant, I have not included every detail of every aspect of the investigation. Rather, I have set forth only those facts that I believe are necessary to establish probable cause. I have not, however, excluded any information known to me that would defeat a determination of probable cause. The information contained in this affidavit is based upon my personal knowledge, my review of documents and other evidence, and

my conversations with other law enforcement officers and other individuals. All conversations and statements described in this affidavit are related in substance and in part unless otherwise indicated.

4. Your Affiant respectfully submits that, based on the facts set forth herein, there is probable cause to believe that on or about April 15th of 2016, 2017, 2018, 2019, and 2020, **EDWARD SCOTT FINN** (“**FINN**”), committed violations of 26 U.S.C. § 7201 (Attempt to Evade or Defeat Tax).

Probable Cause

5. **FINN** is a Lieutenant with the Prince George’s County Police Department (“**PGPD**”). In addition to full-time duties, members of the **PGPD** are allowed to work part-time outside employment, known as Secondary Law Enforcement Employment (“**SLEE**”). The **PGPD** General Order Manual defines **SLEE** as “employment in which an employee is compensated by an entity other than the Prince George’s County Police Department for the performance of law enforcement or law enforcement related duties including (but not limited to) security, traffic direction, and parking enforcement.”

6. **FINN** owns and operates Edward Finn Inc. (“**EFI**”). **EFI** is the company used by **FINN** to manage his **SLEE** business. **EFI** employs off-duty law enforcement officers from **PGPD** and elsewhere, who provide security services to apartment complexes and other businesses primarily in Prince George’s and Montgomery Counties. **FINN** operated **EFI** with the assistance of Individual 1.

7. Pursuant to a federal search warrant, law enforcement agents obtained **EFI**’s account information held by Intuit, Inc. (“**QuickBooks**”), for the time period between January 1, 2019 and June 30, 2020. In the contacts section, Individual 1 is identified as the primary contact

and “MASTER_ ADMIN” of the QuickBooks account. **FINN** is identified as the “Decision Maker.” The generated documents reviewed show Individual 1 was the only person accessing the QuickBooks online portal to enter transactions for EFI.

8. Law enforcement agents also obtained federal search warrants for several email accounts. The emails reviewed to date confirm that **FINN** offered EFI’s security services to various properties and their management companies and recruited officers to work SLEE to provide those security services. **FINN** and Individual 1 communicated with an accountant and the accountant’s assistant relating to bookkeeping and tax related matters.

9. As discussed further below, **FINN** omitted a total of approximately \$1.3 million of EFI income on his 2014 through 2019 Individual Income Tax Returns (“Forms 1040”). From 2014 through 2015, **FINN** signed and filed Forms 1040 with the filing status of Head of Household. From 2016 through 2019, **FINN** and Individual 1 signed and filed Forms 1040 with the filing status of married filing jointly.

10. **FINN** has been compliant in filing his Forms 1040 for the period under investigation, filing by or shortly after the IRS filing due date on or about April 15 of the following year. During the tax years 2014 through 2019, in addition to **FINN**’s full time wages (“Form W-2”) from PGPD, **FINN** reported Form W-2 income of approximately \$30,000 to \$65,040 each year from EFI in officer’s compensation. During the tax years 2016 through 2019, Individual 1 reported approximately \$30,000 to \$65,040 (separate and apart from **FINN**’s reported Form W-2 income for those years) each year from a Form W-2 from EFI in officer’s compensation.

11. For tax years 2014 through 2019, **FINN** reported a Schedule C: Profit and Loss from Business (Schedule C)¹ for a security business with profits approximately \$0 to \$1,806 each year. On the 2018 and 2019 Schedule C, **FINN** reported an expense, “Transferred to Edward Finn Inc. (EIN: XX-XXX4268)” in the same amount of the gross receipts reported for the year, netting a \$0 profit/loss for the security business.

12. For tax years 2014 through 2019, **FINN** reported a Schedule E: Income or Loss From Partnerships and S Corporations (Schedule E)² for EFI. For tax years 2014, 2015 and 2018, EFI reported losses ranging from approximately (\$654) to (\$9,103). For tax years 2016, 2017 and 2019, EFI reported profits ranging from approximately \$78 to \$44,010. In 2019, **FINN** reported a Schedule E loss from S+S Rental Enterprises LLC (“S+S”) of approximately (\$23,074).

13. According to the U.S. Income Tax Returns for the S Corporation (Form 1120S)³ for EFI, **FINN** has been the only Shareholder since EFI’s inception on January 26, 2011, as a security service business. **FINN**, EFI’s resident agent,⁴ signed the Forms 1120S as president. EFI’s business address is **FINN**’s home address in Dunkirk, Maryland, which is the same address for **FINN**’s Forms 1040.

¹ A Schedule C: Profit and Loss from Business is a schedule included in a Form 1040 to report the profit and losses of a sole proprietor business or single member Limited Liability Company (LLC).

² Schedule E: Income or Loss from Partnerships and S Corporation is a schedule included in a Form 1040 to report the profit or losses from pass-through entities.

³ IRS Form 1120S is a tax document that is used to report the income, gains, losses, deductions, credits and other information of a domestic corporation or other entity for any tax year covered by an election to be an S corporation.

⁴According to Maryland State Department of Assessments and Taxation (“MD-SDAT”), on October 5, 2011, **FINN**, as President of EFI, filed a resolution to change principal office or resident agent with MD-SDAT to himself at an address in Prince Frederick, Maryland.

14. Based on the monthly email reminders for bank statements, your Affiant believes EFI's bookkeeper/tax return preparer used FINN's and Individual 1's categorizations of income or loan repayments on the bank records to calculate EFI's gross receipts for the preparation of EFI's Forms 1120S. EFI's Forms 1120S for tax years 2014 through 2019 indicate EFI reports income on an accrual tax basis.⁵ Your affiant reviewed an analysis of EFI's business bank records calculating EFI's deposits into EFI's bank account. A comparison to the gross receipts reported on EFI's Forms 1120S for tax years 2014 through 2019, show the following difference in gross receipts reported and the deposits made into EFI's bank account:

Tax Year	EFI Deposits to EFI per Bank Records	EFI Gross Receipts per 1120S	Difference
2014	\$931,605	\$941,852	\$(10,247)
2015	\$1,327,252	\$1,282,921	\$44,331
2016	\$1,448,713	\$1,366,310	\$82,403
2017	\$1,613,051	\$1,585,679	\$27,372
2018	\$2,477,702	\$2,294,257	\$183,446
2019	\$3,197,051	\$3,130,270	\$66,781
Total	\$10,995,374	\$10,601,289	\$394,086

15. FINN is also the owner and operator of S+S, a residential real estate lessor incorporated on December 19, 2017. According to Forms 1120S for S+S, FINN is the 100% Shareholder and signed the Form 1120S as a member. S+S's business address is listed as FINN's home address in Dunkirk, Maryland.

16. According to the tax returns filed with the IRS, the same tax return preparer was used to prepare FINN's Form 1040 for tax years 2014 and 2015, FINN and Individual 1's jointly filed Forms 1040 for tax years 2016 through 2019, EFI's Form 1120S for tax years 2014 through

⁵ Accrual basis is a method of accounting that reflects expenses in accrued and income earned for income tax purposes for any one year. Taxpayers who use the accrual method must include in their taxable income any money that they have the right to receive as payment for services, once it has been earned.

2019, and S+S's Forms 1120S for tax years 2017 through 2019. Your Affiant has reviewed emails pursuant to federal search warrants showing **FINN** and Individual 1 communicating with the tax return preparer and assistant regarding bookkeeping and tax matters.

17. On approximately a monthly basis, the tax return preparer would email bookkeeping issues relating to EFI and S+S, typically addressing **FINN** and Individual 1. The list of monthly bookkeeper reminders requested "Bank Statements, Deposits – let us know which are Income and/or Officer's Loans." Your Affiant believes this is the bookkeeper/tax return preparer asking **FINN** and Individual 1 to use the bank statements to categorize deposits as gross receipts or as a repayment of officer's loans for EFI and S+S.

18. A monthly follow-up email was then sent from the bookkeeper/tax return preparer or assistant, again typically addressing **FINN** and Individual 1, indicating the accounting package was received. Your Affiant believes the referenced accounting package includes the requested documents of the above-listed monthly bookkeeping reminders from EFI's QuickBooks files. Other emails indicate that **FINN** and Individual 1 mailed the documents to the accountant.

19. During the period, 2014 through 2019, **FINN** deposited approximately \$1,397,295 of checks written for services from EFI into **FINN**'s personal bank account or **FINN**'s children's bank accounts. These security service deposits were not reported as income on EFI's Form 1120S for tax years 2014 through 2019.

20. The reviewed financial records for **FINN** and EFI, obtained by grand jury subpoena, also show **FINN** deposited income of EFI into his personal bank accounts or his children's bank accounts. Your Affiant has reviewed EFI's Customer Contact List from the EFI QuickBooks account showing the deposits into **FINN**'s personal accounts were EFI's business income.

21. Your Affiant reviewed a photo obtained from Capital One Bank of **FINN** making EFI deposits into his personal bank account on May 12, 2020, including, among others, one made payable to EFI from Client 1, a client of EFI on EFI's Customer Contact List, in the amount of \$5,724, dated May 4, 2020. According to EFI's general ledger on QuickBooks for the period January 2019 to June 2020, Individual 1 entered an invoice (20-009-DH) for Client 1 on April 26, 2020, for "Security Services April 20th through May 3rd 2020" with a credit of \$5,400. The QuickBooks audit log shows an edit to the invoice (20-009-DH) was immediately done upon adding it to the system, with an amount of \$5,724. The QuickBooks audit log shows Added Payment of \$5,724 for Client 1's invoice (20-009-DH) on May 18, 2020, by Individual 1, matching the deposit made by **FINN** into his personal Capital One Bank account.

22. Your Affiant identified another EFI deposit from the May 12, 2020, photo of **FINN**'s deposit into **FINN**'s personal Capital One bank account. The deposit was a check made payable to EFI from Client 2, a second client on EFI's Customer Contact List, in the amount of \$18,020, dated May 4, 2020. According to EFI's general ledger on QuickBooks for the period January 2019 to June 2020, Individual 1 entered an invoice (20-0005-VM) for Client 2 on April 26, 2020, for "Security Service: [Client 2]" with a credit of \$17,000. The QuickBooks audit log shows an invoice (20-0005-VM) was added and emailed to Client 2 by Individual 1 with an amount of \$18,020. The QuickBooks audit log shows Added Payment of \$18,020 for Client 2 on May 11, 2020, by Individual 1, matching the deposit made by **FINN** into his personal Capital One Bank account.

23. On May 15, 2020, Client 3, a third client on EFI's Customer Contact List, issued **FINN** a check with "security April" in the memo line. **FINN** endorsed and deposited the \$5,300 check into **FINN**'s personal Capital One account. Again, on July 14, 2020, Client 3 issued EFI a

check for \$5,300 with “May – Inv. 20-005-CV” in the memo line. On EFI’s General Ledger for the period January 2019 to June 2020, Individual 1 entered invoice number 20-005-CV on April 20, 2020 totaling \$5,300 for security services for Client 3. FINN endorsed and deposited the \$5,300 check into FINN’s personal Capital One account.

24. Due to the pass-through nature of S Corporations,⁶ FINN received and omitted approximately \$1,397,295 of income on his Form 1040 for tax years 2014 through 2019:

Tax Year	EFI Deposits to FINN’s Personal Bank Accounts	FINN Total Unreported Income on Form 1040
2014	\$423,285	\$423,285
2015	\$465,957	\$465,957
2016	\$249,611	\$249,611
2017	\$137,546	\$137,546
2018	\$66,866	\$66,866
2019	\$54,030	\$54,030
Total	\$1,397,295	\$1,397,295

25. Through a review of FINN and Individual 1’s personal income tax returns and financial records, your Affiant believes that FINN and Individual 1 underreported their income in each of the tax years 2014 through 2019. An IRS Revenue Agent assigned to the investigation computed the resulting tax loss based solely on EFI’s unreported income for the years 2014 through 2019 as follows:

⁶ S Corporations are pass-through tax entities. This means that the corporation itself is not taxed on its profits. The profits are passed onto the shareholders and are taxed as personal income, much the way an LLC is taxed.

Tax Year	FINN Total Unreported Income	FINN Corrected Taxable Income	Total Tax Due and Owing
2014	\$423,285	\$607,152	\$149,864
2015	\$465,957	\$668,253	\$167,094
2016	\$249,611	\$459,967	\$87,018
2017	\$137,546	\$338,350	\$47,329
2018	\$66,866	\$298,981	\$16,020
2019	\$54,030	\$352,871	\$16,956
Total	\$1,397,295	\$2,725,574	\$484,281

Conclusion

26. Based on the forgoing, probable cause exists that FINN violated 26 U.S.C. § 7201. Accordingly, your Affiant requests that the Court authorize a complaint and arrest warrant for FINN.

R Solomon

Rachel Solomon, Special Agent
Internal Revenue Service
Criminal Investigations Division

Affidavit submitted by email and attested to me as true and accurate by telephone consistent with Fed. R. Crim. P. 4.1 and 4(d) this 21st day of April, 2021.

Gina L. Simms

HONORABLE GINA L. SIMMS
UNITED STATES MAGISTRATE JUDGE