



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
NOVEMBER 22, 2010

CONTACT: U.S. ATTORNEY'S OFFICE
ELLEN DAVIS,
EDELI RIVERA,
JESSIE ERWIN
PUBLIC INFORMATION OFFICE
(212) 637-2600

DOI
DIANE STRUZZI
PUBLIC INFORMATION OFFICE
(212) 825-5931

NYCHA
SHEILA STAINBACK
DEPARTMENT OF COMMUNICATIONS
(212) 306-3322

**MANHATTAN U.S. ATTORNEY CHARGES OWNER OF START ELEVATOR
WITH PARTICIPATING IN A SCHEME TO UNDERPAY EMPLOYEES**

PREET BHARARA, the United States Attorney for the Southern District of New York, ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), and JOHN B. RHEA, the Chairman of the New York City Housing Authority, announced that JOHN O'SHEA, the owner and president of Start Elevator, Inc. ("Start Elevator"), was arrested earlier today on one count of mail fraud and one count of false statements to the Government in connection with a scheme to underpay employees of his company.

Manhattan U.S. Attorney PREET BHARARA said: "By allegedly paying workers significantly below the minimum wage, John O'Shea lined his own pockets with more than \$1 million while defrauding his workers out of hard-earned money during difficult economic times. Today's arrest sends the clear message that we will continue to work with DOI and NYCHA to stop individuals and companies that engage in corrupt schemes to underpay workers."

DOI Commissioner ROSE GILL HEARN said: "This defendant shortchanged his workers of more than \$1 million and filed fictional payrolls with the City to cover-up his crimes, according to the indictment. But DOI investigators worked with the City Housing Authority to expose this fraudulent scheme that paid some workers only one third the lawful hourly rate. Today's arrest is a wake-up call to any publicly-funded contractor who

ignores prevailing wage law - arrest and prosecution await. DOI will continue to work with U.S. Attorney's Office for the Southern District of New York and its fellow City agencies to uncover and stop this kind of illegal conduct."

New York City Housing Authority Chairman JOHN B. RHEA said: "I applaud the collaborative efforts of the NYC Department of Investigation, DEO, and the US Attorney's office for their thorough and expert investigation of Start Elevator, Inc. This arrest is a warning to all NYCHA contractors and business partners that dishonest financial activity and underpayment of workers will not be tolerated."

According to the Indictment, which was unsealed earlier today in Manhattan federal court:

From 2002 through 2007, JOHN O'SHEA participated in a scheme to submit fraudulent certified payrolls to the New York City Housing Authority ("NYCHA"), which overstated the actual payments made to employees of his company, Start Elevator, for work pursuant to federally-funded NYCHA contracts. These contracts were for the repair, maintenance, and modernization of elevators at housing developments for low-income individuals throughout New York City.

In the course of this scheme, O'SHEA caused the filing of fraudulent certified payrolls to NYCHA indicating that Start Elevator's employees were being paid the federal prevailing wage, as required by federal law. Relying on these certified payrolls, NYCHA issued payments to Start Elevator for work performed by its employees. In actuality, however, employees of Start Elevator were being paid far less than the federal prevailing wage. For instance, although the lowest applicable federal prevailing wage for Start Elevator employees working on NYCHA contracts was a rate of \$39.23 per hour for mechanics and \$23.51 for apprentices, O'SHEA paid numerous employees as little as \$12.86 per hour for mechanics and \$12.00 per hour for apprentices. Between 2002 and 2007, the total amount of salary underpaid by O'SHEA to Start Elevator employees working pursuant to NYCHA contracts was in excess of \$1.1 million.

JOHN O'SHEA, 46, of Bronxville, New York, faces a maximum total sentence of 25 years in prison if convicted.

Mr. BHARARA praised the investigative work of DOI and NYCHA in this investigation.

The case is being handled by the Office's Public Corruption Unit. Assistant U.S. Attorney STEVE C. LEE is in charge of the prosecution.

The charges contained in this Indictment are merely accusations and the defendant is presumed innocent unless and until proven guilty.

10-365

###