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For Immediate Release

July 1, 2009

FORMER BOARD PRESIDENT AND FORMER CEO OF PHILADELPHIA ACADEMY CHARTER SCHOOL CHARGED WITH FRAUD

PHILADELPHIA - United States Attorney Michael L. Levy today announced the filing of an information¹ charging Kevin O'Shea and Rosemary DiLacqua with mail fraud and honest services fraud based on their roles in defrauding the Philadelphia Academy Charter School ("PACS"). O'Shea is also charged with theft from a federally funded program and filing a false tax return.

The information charges that O'Shea, the former CEO of PACS and BG, another former PACS CEO who died prior to the filing of these charges, made approximately \$34,000 in undisclosed payments to DiLacqua, the PACS board president and a Philadelphia police detective. While receiving this money, DiLacqua approved a series of salary increases for O'Shea and BG as well as entering into a twenty-year consulting contract with BG that would have paid him in excess of \$100,000 annually for no more than 90 days of consulting. DiLacqua did not disclose these payments on her mandatory statement of financial interest form or to the other board members. O'Shea is also charged with stealing at least \$500,000 from PACS and filing a false tax return.

"Charter schools were an innovation to improve education and were never meant to be a source of personal enrichment for those running them," said Levy. "Even more troubling is the fact that the defendants both had law enforcement backgrounds. We hope this case awakens board members of charter schools to their obligation to safeguard the funds of these schools."

Kevin O'Shea began working at PACS in 1999 and focused primarily on facilities management. O'Shea is a former police officer with a high school diploma and no prior experience in school administration. In or about September 2002, BG hired O'Shea to be PACS's director of operations for approximately \$60,000 per year. O'Shea soon began to

¹An Indictment or Information is an accusation. A defendant is presumed innocent unless and until proven guilty.

receive significant raises and increased responsibility at PACS. In or about September 2007, at BG's urging, the board promoted O'Shea to replace BG as the PACS CEO. By the time defendant O'SHEA left PACS in May 2008, he was earning in excess of \$200,000 in salary from PACS, with defendant DiLacqua's approval.

"Today's action alleges that the defendants defrauded Philadelphia students and taxpayers in a deliberate, methodical, and exhaustive way," said Mary Mitchelson, acting Inspector General of U.S. Department of Education. "I am proud of the work of OIG's Special Agents, our colleagues in the Internal Revenue Service Criminal Investigation Division and the FBI for their relentless pursuit of these individuals."

The information alleges that O'Shea, alone and with BG, abused his position through a variety of frauds including: (1) using approximately \$710,000 in PACS' funds to purchase a building in the name of their purported non-profit business with the aim of flipping the building to another charter school for a \$1 million profit; (2) demanding kickbacks from PACS vendors; (3) having lavish offices built for themselves at PACS, including flat screen televisions, executive bathrooms and granite countertops, at a cost of approximately \$145,000 to PACS; (4) submitting for reimbursement at least \$40,000 in fraudulent invoices for personal meals, entertainment, home improvements, and gas and telephone bills; (5) having approximately \$50,000 worth of home repairs improperly billed to PACS; (6) collecting approximately \$34,000 in rent from entities using PACS facilities; (7) hiring a computer firm in an attempt to destroy computer evidence to obstruct this investigation; and, (8) filing a false tax return for 2006.

"The defendants in this case, in their positions of trust with the Philadelphia Academy Charter School, were responsible for ensuring that the students of the school received the very best education available through the charter school program," said Special Agent in Charge Janice K. Fedarcyk of the Philadelphia Division of the FBI. "Instead, as it is alleged, they put their own personal and financial interests first, robbing the students of the vital educational opportunities they both expected and deserved."

"The alleged actions of O'Shea and DiLacqua were motivated by greed and the ultimate victims in this case were the students of the charter school," said Don Fort, Special Agent-in-Charge of I.R.S. Criminal Investigation. "This investigation necessitated following an intricate web of financial transactions devised to conceal the alleged wrongdoings. We are pleased to have had this opportunity to work closely with the United States Attorney's Office and the other law enforcement agencies involved in the investigation, whose dedication and perseverance brought this case to a successful resolution."

INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	AGE OR DATE OF BIRTH
Kevin O'Shea	Philadelphia, PA	50
Rosemary DiLacqua	Philadelphia, PA	51

If convicted of all charges, O'SHEA faces up to 35 years in prison and DiLACQUA faces up to 20 years in prison.

The case was investigated by the United States Department of Education - Office of Inspector General, the Federal Bureau of Investigation, and the Internal Revenue Service - Criminal Investigation Division. It is being prosecuted by Assistant United States Attorney Derek A. Cohen.

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