

Virtual Charters in Hot Water Again. Accusations of Fraud Prompt \$150M Lawsuit



Indiana's attorney general Todd Rokita speaks at a news conference on Sept. 16, 2020, in Indianapolis.

Darron Cummings/AP

A consortium of [virtual schools](#) accused of defrauding the state of Indiana out of millions of dollars are now being sued, as state officials seek to recoup more than \$150 million they say was either wrongly obtained or misspent by the schools.

Attorney General Todd Rokita filed the lawsuit against Indiana Virtual School, Indiana Virtual Pathways Academy, Indiana Virtual Educational Foundation, and several other related entities and individuals in Hamilton County Superior Court Thursday. In a statement released Monday, Rokita said the lawsuit represents the

largest amount of monetary damages ever sought by the attorney general's office following a State Board of Accounts investigation.

“This massive attempt to defraud Hoosier taxpayers through complex schemes truly boggles the mind,” Rokita said. “This case demonstrates once again that public servants must remain ever vigilant in our work to safeguard the public treasury from opportunists.”

IVS and IVPA operated online charter schools that were authorized by Daleville Community Schools from 2015 to 2019, until revoking the schools charter over myriad issues with both academic performance and compliance with state laws and regulations.

The State Board of Accounts conducted a special investigation and found the schools inappropriately received more than \$68.7 million collectively. State investigators revealed that the charter schools had inflated their enrollment to defraud the state — by enrolling students who'd simply requested information on the schools' website, re-enrolling students after they'd left the schools or, in one case, by keeping a deceased student on their books more than a year after their death.

The new report details widespread fraud, misuse of state funds, and a severe lack of oversight by school officials and Daleville.

In addition to the \$68.7 million the schools never should have received, the state is also seeking reimbursement of \$85 million, improperly paid to 14 different vendors that were related to the schools through a common employee or family member.

The state investigation found that from the 2016-17 school year to the 2018-19 school year, the two schools received more than \$103 million in state funds and funneled more than \$85 million to related parties, including several companies run by the schools' founder, Thomas Stoughton, and his son.

The case has also been referred to federal and state criminal investigative agencies, according to Rokita.