United States Senate
WASHINGTON, DC 20510

May 14, 2018

Kathleen Tighe
U.S. Department of Education
Office of Inspector General
550 12th Street, S.W.
Washington, D.C. 20202

Dear Inspector General Tighe:

I urge the Department of Education's Office of the Inspector General (IG) to promptly evaluate the documents that Dave Yost, Ohio's Auditor of State, sent your office detailing the mismanagement of federal and state funds by the Electronic Classroom of Tomorrow (ECOT); its operator, Altair Learning Management; and its software vendor, IQ Innovations. I also urge you to investigate any systemic misuse, abuse, and lack of oversight of federal funds by for-profit management companies, sponsors, and those that manage and oversee Ohio's charter schools.

ECOT, a massive online charter school that has collected over $1 billion in taxpayer funds since 2000, including $130 million in federal funds.[1] ECOT abruptly closed in January 2018, and left its 12,000 Ohio students hanging in the balance. ECOT's closure arose after examinations of its lengthy track record of mismanagement which included inflated enrollment numbers.

ECOT was managed by Altair Learning Management and had a major contract with IQ Innovations[2], both for-profit entities owned by William Lager. Over the life of the school, ECOT made $200 million in payments to Lager's companies.[3] In the 2015-2016 school year alone, ECOT paid $4.3 million to Altair Learning Management and $17.5 million to IQ Innovations[4]. The more one learns about ECOT's finances and practices, the more it seems that the school was an enterprise that involved self-dealing and manipulation that lined the pockets of Mr. Lager and his companies. These companies flourished while students received a subpar education and taxpayers were deceived, intentionally and repeatedly.

Ohio's State Auditor's report details allegations that ECOT's management manipulated attendance and participation rate data for the 2016-2017 school year. This data manipulation boosted ECOT's enrollment numbers, which resulted in them receiving an over-allocation of Ohio taxpayer's funds. According to these reports, ECOT used software purchased from IQ Innovations to deceive the Ohio Department of

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[1] DeMaria, P., PhD. (2018, February 5). Response to Senator Sherrod Brown [Letter to Senator Sherrod Brown].
[2] O'Donnell, P. (2018). *ECOT makes "final offer" to reduce penalties to stay open. cleveland.com*. Retrieved 2 February 2018, from http://www.cleveland.com/metro/index.ssf/2018/01/ecot_makes_final_offer_to_redu.html
[3] Siegel, J. (2018). *ECOT losing sponsor, could close next week. The Columbus Dispatch*. Retrieved 2 February 2018, from http://www.dispatch.com/news/20180110/ecot-losing-sponsor-could-close-next-week
[4] O'Donnell, P. (2018). *ECOT makes "final offer" to reduce penalties to stay open. cleveland.com*. Retrieved 2 February 2018, from http://www.cleveland.com/metro/index.ssf/2018/01/ecot_makes_final_offer_to_redu.html

Education and increase its revenue. The report also found that ECOT and its affiliated businesses spent nearly a quarter million in tax dollars on political spending.

Unfortunately, Ohio has a long history of for-profit, privately-owned charter schools with poor student outcomes and questionable spending practices. Between 2008 and 2014, over 40 Ohio, for-profit charter schools had audits that uncovered improper spending, with much of the improper spending involving payments to school management companies, vendors, and employees.[5] The National Association of Charter School Authorizers once called Ohio the "Wild, Wild West" of charter schools because of the loose standards of accountability and transparency.[6] Despite the strengthening of accountability for charter schools by the Ohio legislature and additional oversight by the U.S. Department of Education's Charter School Program, there remains a culture of corruption, mismanagement, and self-dealing that leaves Ohio taxpayers on the hook and Ohio students without high-quality schools.

ECOT and William Lager are prime examples of this culture of corruption. Their model was not student-driven, but rather profit-driven, with Ohio taxpayers bearing the costs. Ohioans deserve answers. We trust schools to educate and prepare students, but ECOT, William Lager, and his companies have abused that trust to rig the system to enrich themselves.

Auditor Yost has referred the audit and its findings to the U.S. Attorney's Office for the Southern District of Ohio and the Franklin County Prosecutor's Office, in addition to the Inspector General of the U.S. Department of Education. This situation warrants investigation by your office. I ask your office investigate the alleged data manipulation, mismanagement, and misuse of federal funds by ECOT and other entities in contract with the school's operation and management. Further, I request you evaluate oversight of ECOT and other online charter schools to identify any systemic weaknesses that may have allowed this situation to occur.

I appreciate your attention to this matter and look forward to your response

Sincerely,

Sherrod Brown
United States Senator

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[5] Candisky, C., The Columbus. (n.d.). Ohio charter schools that misspent money still owe state $6 million. Retrieved May 10, 2018, from http://www.dispatch.com/article/20151213/NEWS/312139847

[6] O'Donnell, P. (2014, July 28). Ohio is the "Wild, Wild West" of charter schools, says national group promoting charter standards. Retrieved May 10, 2018, from http://www.cleveland.com/metro/index.ssf/2014/07/ohio_is_the_wild_wild_west_of.html