Ex-FBI Director to Review BP Settlement Program

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NEW ORLEANS (AP) — Former FBI Director Louis Freeh was appointed Tuesday to investigate alleged misconduct by a lawyer who helped run BP's multibillion-dollar settlement fund.

In this Thursday, July 12, 2012 file photo, former FBI director Louis Freeh speaks about the Freeh Report during a news conference, in Philadelphia. Freeh was appointed Tuesday, July 2, 2013, to investigate alleged misconduct by a lawyer who helped run BP's multibillion-dollar settlement fund. **(AP Photo/Matt Rourke, File)**

U.S. District Judge Carl Barbier issued an order naming Freeh, who now runs a consulting firm, a "special master" for the investigation. In another high-profile case, Freeh recently led a university-sanctioned probe of the Pennsylvania State University sex abuse scandal.

Oil spill claims administrator Patrick Juneau announced last month that his office is investigating allegations that an attorney on his staff received a portion of settlement proceeds for claims he had referred to a law firm before he started working on the settlement program.

Freeh was a federal judge in New York before serving as FBI director from 1993 to 2001. He founded his consulting firm, Freeh Group International Solutions LLC, in 2007.

After being appointed Tuesday, Freeh met in the judge's chambers with Barbier, BP representatives and top plaintiff attorneys. He had no comment afterward.

BP had called for an independent review of the allegations. A company spokesman said in a statement that it was pleased with the appointment to try to ensure the integrity of the claims process.

"We believe that Judge Freeh's experience on the federal bench and as director of the FBI make him ideally suited to conduct a thorough investigation into the recent allegations of unethical and potentially criminal behavior within the program," BP spokesman Geoff Morrell said in the statement.

In 2011, Penn State's board of trustees hired Freeh to conduct its internal probe of the university's handling of allegations that former assistant football coach Jerry Sandusky had been molesting boys for years.

In July 2012, Freeh issued a report that accused the school's legendary head football coach, Joe Paterno, and other top Penn State officials of engaging in a cover-up to avoid bad publicity. Paterno's family and other targets of Freeh's investigation vehemently denied the report's conclusions.

Barbier's appointment of Freeh is a victory for BP as it wages an aggressive campaign to challenge what could be billions of dollars in settlement payouts to Gulf Coast businesses with claims arising from the company's 2010 oil spill in the Gulf of Mexico.

The top attorneys representing plaintiffs in the spill settlement, Stephen Herman and James Roy, said in a statement: "We welcome Mr. Freeh's appointment, and are confident that any impropriety, if confirmed, will prove to be an isolated incident.

"We continue to have full confidence in Pat Juneau, who for more than a year, has led the Court Supervised Settlement Program with the utmost integrity, competence and thoroughness."

Juneau said in a statement "we wholeheartedly endorse the investigation by Mr. Louis Freeh. Since we initiated the Deepwater Horizon Claims Process on June 4, 2012, our mission has been to process claims in a fair, efficient and transparent manner. This type of investigation is consistent with our goal of transparency of the claims process."

In April 2010, the oil drilling rig Deepwater Horizon exploded off the Louisiana coast, killing 11 workers and led to millions of gallons of oil being spewed into the water. Marshes, fisheries and beaches from Louisiana to Florida were fouled by the oil until a cap was placed over the blown-out well in July 2010.

BP set up a compensation fund for individuals and businesses hurt by the spill and committed $20 billion. Juneau took over the processing of claims after the settlement was reached last year. His office has determined more than $3 billion in claims are eligible for payment through the settlement agreement.

BP argues Barbier and Juneau misinterpreted the settlement and have allowed thousands of businesses to receive hundreds of millions of dollars in settlement payments for fictitious and inflated claims. BP appealed Barbier's rulings on the issue. A three-judge panel from the 5th U.S. Circuit Court of Appeals in New Orleans is scheduled to hear the case on Monday.

Barbier said in the order that Freeh's duties would not be confined to allegations involving the attorney, but would be a broader look at the claims settlement program. The order states that Freeh would be charged with "fact-finding as to any other possible ethical violations or other misconduct" within the settlement program. The order does not specify compensation for Freeh and his consulting company.

The class-action settlement isn't capped, but BP initially estimated it would pay $7.8 billion to resolve tens of thousands of claims by Gulf Coast businesses and residents who claim the spill cost them money. Now the London-based oil giant says it can't reliably estimate how much the settlement will cost if the 5th Circuit doesn't overturn Barbier's rulings.

The allegations against Sutton are outlined in a report that Juneau provided to Barbier during a closed-door meeting in his chambers on June 20.

The report says a "confidential source" who contacted Juneau's security chief accused Sutton of trying to influence a claim filed by a New Orleans-based law firm. The same firm allegedly paid Sutton a portion of settlement payments for claims he had referred to it before he went to work for Juneau in November 2012.

Sutton denied the allegations when Juneau discussed them with him, according to the report.

The report also indicates that Juneau's security head, David Welker, notified the FBI's New Orleans division about the lawyer's alleged misconduct. Welker until recently was the special agent in charge of the FBI office in New Orleans.

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