BP Balks at Paying Claims Administrator

MICHAEL KUNZELMAN, Associated Press

NEW ORLEANS (AP) — BP is balking at paying more than $130 million in administrative fees to the court-supervised administrator of its multi-billion dollar settlement with Gulf Coast businesses and residents after the 2010 oil spill, claiming the settlement program has been plagued by poor productivity and excessive costs.

A federal magistrate has scheduled a hearing Wednesday on whether BP PLC should be ordered to fund claims administrator Patrick Juneau's proposed third-quarter budget.

In a letter dated Monday, BP claims official Maria Travis said the company cannot determine if Juneau's budget request is reasonable without more documentation.

"It would be unreasonable to approve a budget that validates and incentivizes the various claims administration vendors to perpetuate their track record of poor productivity and excessive costs," Travis wrote to Juneau's office.

Separately, BP has asked a judge to suspend all settlement payments while former FBI Director Louis Freeh investigates allegations of misconduct by an attorney who worked on Juneau's staff. Lionel H. Sutton III, who resigned on June 21, is accused of receiving a portion of settlement proceeds for claims he referred to a law firm before he went to work for Juneau.

U.S. District Judge Carl Barbier rejected that request last month, but BP renewed its request for a temporary halt in payments on Monday, citing new allegations of fraud and conflicts of interest inside the settlement program.

In a court filing Monday, BP said at least two lawyers who have ruled on appeals of disputed settlement awards were partners at law firms that have represented claimants and filed claims of their own for the firms to be compensated.

BP spokesman Geoff Morrell in an emailed statement said under the settlement agreement, the claims administrator's budget is subject to BP's "reasonable approval."

"We have noted in submissions to the court and in meetings with the CSSP that we have grave concerns about the lack of controls, oversight, and cost management within the facility," Morrell said in the statement. "Our August 5th letter simply asked the CSSP to provide a detailed explanation and justification for a third quarter budget that summarily requested over $130 million. We are entitled to such information under the agreement, and in our view it would be unreasonable to approve a budget request of that size without such information."

BP also said it recently learned of allegations that someone employed by the settlement program at its Mobile, Ala., center helped people submit fraudulent claims in exchange for a portion of the awards. Juneau's office suspended that employee and a co-worker who allegedly helped that employee access claims data.

Travis said in her letter that Juneau's office has racked up more than $500 million in administrative expenses since last year, when Barbier appointed him to take over the process of evaluating and paying claims from the Gulf Coast Claims Facility, led by Kenneth Feinberg.

Travis said Juneau's third-quarter budget request was in an email that listed the total amount requested along with a "simple, 13 line chart generally identifying dollar amounts by vendor."

"The proposed budget does not evidence a systematic, disciplined budgeting process," she wrote.

Juneau said in a statement, "We will be fully prepared to address and will address the request of the claims administrator to fund the proposed third quarter budget."

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