



# Akron Judge Asked to Assess Akin Gump Bankruptcy Billing Procedures

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*Creditors may be losing out on millions in compensation nationwide as law firms turn their accounting departments into "profit centers."*

AKRON, OHIO, U.S.A., January 2, 2020 /EINPresswire.com/ -- An Akron, Ohio, bankruptcy judge has been asked to review the invoicing procedures of the New York City law firm representing First Energy Solutions in its multi-billion dollar bankruptcy in Ohio.

According to an objection filed by Interested Party Jeff Barge, a Cleveland-area writer and communications consultant, Akin Gump Straus Hauer & Feld billed \$40,033.50 for the work it did to prepare a single invoice for one month's of legal work, and has billed over \$500,000 since the Spring of 2018 just for preparing and filing its invoices.

"Wow! I've never heard of that," Prof. Karen W. Braun, Ph.D., CPA, and Undergraduate Accounting Program Director at Cleveland's Case Western Reserve University, said in an email statement made for the benefit of the court and included in Mr. Barge's filing. "Since attorneys, accountants, etc. all keep track of the time they spend on each client, I would think that assembling the actual bill would not take much time, and therefore would cost very little to perform."

Accounting Prof. Timothy Fogarty, also of Case Western Reserve University, wrote in an informational email attached to the filing that the cost of creating an invoice should not be billed separately. "The cost of sending a bill is a small part of a broader category that would be called Administration expenses, or something like that. Since it is not associated exclusively for one product or service, it would be overhead."

Part of Mr. Barge's complaint is that the Akin Gump law firm is unable or unwilling to produce any back-up documentation to substantiate the large amounts charged for preparing invoices, and that this expense is just part of the firm's general overhead and cannot be double-charged in a separate line item. "[T]he general rule is that overhead means indirect costs that cannot be easily traced to a product or service," wrote Tom King, Professor and Chair of the Department of Accountancy at Case Western University in an informational email attached to the filed objection. "If the cost of sending an invoice cannot be easily traced to the service provided to the client, then one could say that the invoicing activity is overhead."

In another informational email made for the benefit of the Court and attached to the fee objection, Prof. Linda G. Chase, Ph.D. CPA, CFE, Chair of the Department of Accounting at Baldwin Wallace University in Berea, Ohio, provided the following informal opinion. "I find it completely normal for a nominal administrative fee for somebody compiling bills." Prof. Chase did not rule out the possibility that charging \$40,033.50 to prepare an invoice is acceptable under current accounting practices. "Reasonableness is determined by context and you are the one who would have to determine contextually if that charge makes sense," she said in the attached email.

Mr. Barge's fee objection notes that the Fee Examiner in the case, Mr. Don Oliver of Direct Fee Review, explained that the invoice was so expensive to produce because the attorneys' time had to be billed in eight-minute increments under the billing procedures of the federal bankruptcy

courts and that the computer-generated bill was 131 pages long. However, Mr. Barge claims that Akin Gump has never produced documentation as required by the court and standard accounting practices about how much time was spent creating the bill, by who, when, and at what rate. The law firm did not file any such evidence in response to his complaint.

Mr. Oliver noted that it is the practice nationwide of bankruptcy fee examiners not to question the fees for creating invoices if the fee was less than 3% of the total bill for the month, which means these fees go totally unexamined.

Tens of millions of dollars that should be going to pay off debts are going to pay for law firm accounting departments, which have turned themselves into "profit centers," according to the legal filing.

The case, In re: FirstEnergy Solutions Corp. et. Al., No 18-50757, is being presided over by Hon. Judge Alan M. Kosich of the United States Bankruptcy Court, Northern District of Ohio, Eastern Division. Mr. Barge is suggesting the practice be examined by the American Bar Association. Documents available on PrimeClerk.

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