

## **STEPHEN G. HAMLIN**

### **Manager, Fraud Investigation & Dispute Services**

At Ernst & Young LLP, Mr. Hamlin has over seven years of investigative and dispute advisory experience working closely with legal counsel reporting to both Boards of Directors and Company management of public and privately-held companies.

Steve has providing advisory services related to forensic accounting and fraud investigations, financial accounting analysis for public and private companies, economic damages and lost profits consultation, and associated financial analysis. Steve has provided these services to companies in the retail, technology, insurance, manufacturing, construction, healthcare and real estate industries.

Prior to his joining E&Y, Steve worked for two years during law school as a legal clerk in corporate, estate planning and tax. Following is a list of representative engagements.

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### **Financial Accounting and Forensic Investigations**

- *Retail Consumer Auto Parts Chain* - Performed field management of an accounting investigation for the Audit Committee of the Board of Directors of a public company, looking into allegedly improper vendor allowance/chargeback issues, fraudulent collections from vendors, and related financial reporting concerns. Conducted numerous interviews of company personnel, from the executive suite and senior operating management through all levels of accounting, finance and merchant staff. Led analysis of vendor receivables accounting and business processes, confirmed and collected details surrounding inappropriate accounting methods related to allowance recognition and receivables balance, and assessed propriety of account activities. Worked collectively with external investigative counsel. Communicated scope of investigation, status and results of findings to the Investigative and Audit Committees of the public-company Board, company outside counsel, and Company new management involved in the restatement.
- *Retail Department Store Chain* - Performed all field management of an accounting investigation for the Audit Committee of the Board of Directors of a public company, looking into allegedly improper vendor allowance/chargeback issues, and other related accounting and financial reporting concerns. Conducted numerous interviews of company personnel, from the executive suite and senior operating management through all levels of merchant and financial staff. Led analysis of detailed departmental financial and vendor performance documents, analysis of communications between the Company and vendors, managed various types of computer forensic analysis, analyzed accounting issues and related corporate governance concerns. Worked closely with and communicated in-process results on an ongoing basis to external investigative counsel. Communicated scope of investigation, status and results of findings to the Audit Committee of the public-company Board, outside corporate counsel, and other interested parties including Federal regulators (SEC, DOJ), external auditor, external forensic team, and Company management.
- *Retail Department Store Chain* – Performed an independent internal review for the Audit Committee of the Board of Directors of a public company, looking into the Company’s policies and procedures surrounding vendor allowances and chargebacks. Conducted interviews of company personnel, including executives, senior operating management and levels of merchandising staff. Led analysis of departmental financial and vendor performance documents, analysis of

communications between the Company and vendors, and managed various types of computer forensic analysis. Performed review with and communicated results to independent review counsel. Communicated scope of investigation, status and results of findings to the Audit Committee of the public-company Board and Company management.

- *Consumer Electronics* – Performed a board-level accounting investigation into the U.S. operations of a global consumer electronics company. Analyzed complex system of intercompany subsidies from parent to U.S. subsidiary, investigated asset recordings, interviewed numerous senior management and accounting personnel of both U.S. and international operations, and analyzed various other accounts questioned by whistleblowers. Communicated results of findings to the audit committee of the public-company Board, outside counsel, external auditor, external forensic team, Company management.
- *Information Technology* – Performed an internal accounting investigation into the revenue recognition policies, procedures and accounting activity within a manufacturer of high-availability transaction-processing computer servers. Interviewed various members of clients accounting and sales staff. Managed team that reviewed electronic evidence (email, documents) obtained from the client, including coordinating with international E&Y personnel. Communicated observations regarding the sales environment and processes, including potential accounting issues.
- *Insurance - Property and Casualty Insurance* – Performed a board-level accounting investigation into a captive property and casualty agency that was a subsidiary of a public transportation and logistics company (SEC registrant). The agency failed to place underlying insurance coverage, but continued to collect premiums and pay claims, and so acted as an insurance company. Analyzed accounts receivable from various classes of customers, performed analysis of intercompany accounts and their reconciliation, and interviewed various parent and subsidiary personnel. Communicated results of findings to the audit committee of the public-company Board, company management, outside counsel, external auditor, and internal auditors.
- *Insurance - Property and Casualty Insurance* – Performed a board-level accounting investigation into a captive property and casualty insurance company and integrated agency that was a subsidiary of a large international truck manufacturer. Analyzed the policy underwriting, issuance and premium collection process, and investigated revenue recognition, accounts receivable and the adequacy of reserves. Analyzed and tested the IT system that provided all insurance functions and data management. Provided extemporaneous analysis to client management. Communicated results of findings to the company management.
- *Construction (General Contractor)* – Performed a forensic investigation into allegations of systemic embezzlement by president and part-owner of a large general contractor. Analyzed numerous accounting records related to project accounting, fixed asset purchases, existence of assets. Interviewed numerous management and accounting personnel. Advised majority (silent) owner of findings in process, results and impressions of interviews. Worked with counsel and majority owner on litigation strategy and related business issues (succession, operations, culture).

- *Hospital System* – Performed a forensic investigation into allegations of systemic embezzlement and theft by member of management of a regional hospital system. Performed interviews with relevant personnel, organized and analyzed significant amount of transaction records for many hospital construction projects. Presented findings to and provided additional analysis to law enforcement and counsel for the company.
- *Manufacturing* – Analyzed and quantified international lease transactions and purchase of manufacturing equipment, which were the subject of a U.S. Governmental criminal and civil tax fraud investigation. Obtained understanding of entire transaction life cycle and relationship to a involved foreign entity, commercial reasonableness of multi-party transactions (margins, implicit financing rates), researched relevant issues (Customs declared value, int'l tax treaties & withholding requirements), developed alternative explanations to rebut allegations, presented findings to counsel, outside auditors and lenders, participated in settlement conferences with representatives from the DOJ and IRS. Was instrumental in drafting all analysis and reports.
- *Financial Services* - Assisted in a criminal fraud investigation focused on potential banking and wire fraud and money laundering within an asset-based lending company. Analyses performed sought to determine the amount and timing of leveraged funding, cash collections from underlying accounts receivables, banking activities and wire transfers. Compiled and maintained work papers which confirmed the existence of borrowers, accuracy of account balances and timing of transactions with the subject company. Worked with agents of the Secret Service, Treasury Department (IRS) and banking security on document collection, evidence preservation and criminal and civil charges based on our findings.
- *Electric Utility Construction* – Performed fraud investigation relating to joint venture between a domestic power systems company and U.K investors for construction of electrical generation facilities. Traced funding and expenses between domestic partner and several U.K power systems consulting entities, calculated fraudulent inter-company transactions involving expense mark-ups between affiliated U.K entities and calculated claims for partnership accounting.
- *Metal Processing* – Analyzed and quantified expenditures made over four decades for employee health and safety within extremely confidential litigation. Performed industry research to obtain baselines of H&S spending, OSHA regulations, environmental guidelines. Obtained and categorized capital expenditures, analyzed plant expense items, modeled employee labor expense with adjustments for specific work patterns in different areas of the plant. Worked closely with plant management to obtain thorough understanding of all plant activities. Was instrumental in drafting and providing necessary support for final expert report.
- *Public School System* – Performed a fraud assessment of the Accounts Payable department of a large public school system, based on risk due to the A/P Supervisor being arrested for passing fraudulent negotiable instruments (apparently unrelated to his role at work). Performed an independent review of purchasing and disbursement controls, fraud analysis of certain A/P transactions, vouching selected items to supporting documentation, and interviews of A/P and supervisory personnel. Reported results of findings to Superintendent, CFO and others.

**Commercial Litigation - Lost Profits / Damage Quantification / Daubert retention**

- *Insurance – Life Insurance General Agency – Performed rebuttal of lost-profits and enterprise valuation claim* related to contractual dispute over the termination of a general agent of a large life insurance company. Analyzed financial and business records of the agency, long-term business projections and claims of the agent, and governing policies and procedures related to the company-agency relationship. Prepared discounted cash-flow model for the agency, researched and defended significant assumptions implicit in the claim and the rebuttal, and advised counsel on various matters involving documents, business records and evidence for purposes of litigation strategy.
- *Health Care / Real Estate – Performed rebuttal analysis of lost-profits and associated damages claim* related to development of a luxury \$100 million long-term care facility (CCRC). Analyzed the detailed Discounted Cash Flow projection for the development and its underlying assumptions, including initial land acquisition, pre-development phases, unit pricing and monthly fees, pre-sales of units, construction costs, move-in rates, patient absorption by care level, intra-facility patient lifecycle trends, financial and occupant stabilization and the terminal capitalization rate. Significant DCF modeling and in-depth understanding of CCRC development and operations.
- *Real Estate – Analyzed a collection of partnerships, partner buy-outs and subsequent sale of underlying real estate to a public REIT for rebuttal to a damages claim*. Reviewed and summarized all supporting documentation for real estate partnerships, equity contributions, income and expense items, claims. Reviewed depositions, correspondence between the parties. Significant modeling of damage claim of partnership value, lost profits, historical forecasting relating to valuation of publicly traded REIT, valuation of affiliated property management company. Case went to trial.
- *Transportation - Integrated Logistics – Performed in-depth contract pricing analyses and cost re-determinations* within multi-billion dollar, multi-year litigation involving claims against the federal government by a large integrated transportation company. Analyses performed sought to re-determine the actual cost incurred, develop appropriate allocation methodology and identify the response of expenses to operational variation. Research into applicability of specific governmental cost accounting standards to instant case. Primarily air logistics and ground transportation.
- *Wholesale Distribution - Performed analysis of claims relating to breach of contract* within the grocery distribution industry. Analyzed transactions between parties for volume, price and cyclical trends; used this data to model initial damages estimation. Reviewed and summarized contracts between parties, performed industry research to support rebuttal of claim assumptions and read deposition testimony of parties to obtain understanding of specific transactional allegations. Assisted in rebuttal of specific points of opposing expert's report relating to above allegations.
- *Consumer Products – Performed lost profits calculation due to infringement of intellectual property* in retail novelty products. Modeled historical volume and price trends, performed market and economic analysis, calculated incremental contribution margins, and rebutted lost profits claims.
- *Transportation - Components – Performed royalty audit of manufacturer* of seating equipment for buses based on prior infringement of patents owned by a competitor and a settlement of that claim, which agreement stipulated payments of royalties going forward and a right of audit. Performed analysis of purchase orders, custom contracts, production documentation, raw materials, inventory and shipment documentation.

## **Financial Accounting & Other Dispute Resolution Engagements**

- *Manufacturing* – Performed analysis as part of arbitration team of a Purchase Price Working Capital Dispute. Analyzed parties submissions, company financial records and related transaction due diligence related to differences in working capital over the period from pre-acquisition through the transaction close and subsequent objection period. Research certain GAAP issues, investigated reasonableness of interim changes of balances, and determined accordance with merger agreement. Assisted neutral in arbitration hearing, and drafted arbitration ruling and supporting analysis.
- *Telecommunications* - Performed dual-party agreed-upon procedures relating to pre-acquisition Purchase Price Working Capital Adjustment. Traditional pre-acquisition due diligence on a working capital statement, primarily related to independent analysis of accounts receivable, inventory, accounts payable and the associated reserves. Investigated reasonableness of interim changes of balances, and whether in accordance with merger agreement.
- *Complex Litigation Administration* - Performed agreed-upon procedures relating to administration of a large multi-state and federal litigation settlement relating to the Tobacco Master Settlement Agreement. Also similar role performed for an individual state not included in the MSA. Primary analysis involved complex analysis of payments due and received from the defendants, amounts due to and received by the plaintiffs, carry-forward and –back amounts, tracking inter-payment credits and offsets, calculating interest owed in over-/under-payments, and performing ad-hoc analyses relating to forecasting payments to-be due to states. Verification of reported shipment volume using Governmental reports. Single state engagement also involved verifying net operating profit figures reported by tobacco companies.
- *Electric Utility Distribution* - Performed agreed-upon procedures relating to contract compliance with Power Purchase and Sale Agreements for two electric utility organizations. The procedures were performed at fourteen sites locations throughout the state of Georgia. Procedures performed included customer segregation by various categories including defined distribution territories, electrical volume and load, specific contract provisions with subject companies, commercial status and historical service relationship. Further specific company procedures related to electrical generation capacity, load management capabilities, electrical distribution assets and the company’s understanding of applicable regulatory provisions.

## **Education**

- Bachelor of Science (Accounting) – University of Florida
- Master of Accounting (Audit) - University of Florida
- Juris Doctorate (Law) - University of Florida

## **Certifications and Professional Memberships**

- CPA - Certified Public Accountant – State of Georgia
- CFE Associate – Certified Fraud Examiner – ACFE
- Member, AICPA