

19

1 right?

2 A His business was, yes, sir.

3 Q And his business was called Premier?

4 A Premier Alliance.

5 Q Premier Alliance. Did Orlando Jones have a
6 contract with UMC?

7 A He did.

8 Q And what was that contract for?

9 A It was a quick look.

10 Q Quick look at what?

11 A Of the telecommunications.

12 Q Okay. And was that under the auspices of
13 Crystal Communications or was this under the auspices of
14 Premier Alliance?

15 A Premier Alliance.

16 Q Was any deliverable ever given to UMC for this
17 quick look?

18 A Yes, sir.

19 Q Are you sure?

20 Speaking of the -- well, what I'm
21 speaking --

22 A You're talking about the very first contract
23 for fifty-one hundred dollars?

24 Q Yes, the --

25 A I'm going to say, and again like I said it's

19 1 somewhere in here, I'm going to say that I thought some
2 paperwork was eventually turned in from that quick look,
3 but under Martello Pollock's name. As far as the one
4 signing at the bottom of it. But I might, I'm probably
5 mistaken.

6 Q We can maybe come back to that.

7 But Orlando Jones did have a contract
8 with UMC and that was -- was that before or after Crystal
9 Communications had a contract with UMC?

10 A I'm sorry, sir. Before or after?

11 Q Yeah, Orlando Jones' contract came first or
12 second?

13 A First.

14 Q Okay. Did Orlando Jones disclose himself as
15 the person who is on that contract when he got that
16 contract with Lacy Thomas?

17 A No.

18 Q And so if anybody had reviewed this contract
19 would they have been able to tell that Orlando Jones was
20 involved?

21 A No.

22 Q How is that covered up?

23 A As far as covering up Orlando Jones'
24 involvement in it?

25 Q Yes.

19 1 A By doing -- are you talking about the Premier?

 2 Q Yes, Premier.

 3 A It was -- I'm trying to understand what you're

 4 trying to ask, Scott, on that one.

 5 Q Well, how did you find out eventually that

 6 Orlando Jones was involved in that contract?

 7 A Well, we located -- are you talking about the

 8 very first fifty-one hundred dollar contract, how he was

 9 involved in it?

 10 Q That's right.

 11 A We found a -- what is it. I believe it was a

 12 dinner expense requisition travel expense/dinner expense

 13 that showed that Lacy Thomas had lunch with a person from

 14 Premier Alliance.

 15 Q Okay. And let me put it this way. Later,

 16 after the Premier Alliance contract, Lacy Thomas entered

 17 into contract with Crystal Communications?

 18 A Uh-huh.

 19 Q Is that right?

 20 A Yes, sir.

 21 Q And did those Crystal Communications contracts

 22 refer back to that first contract with Premier Alliance?

 23 A No.

 24 Q Okay. Did Martello Pollock act like he had

 25 negotiated that first contract or did he mention in his

20

1 contract with Lacy Thomas that a prior contract had already
2 taken place?

3 A All right. I caught up. I'm sorry. I had --
4 I was a little slow there for a few minutes. I apologize.

5 Q No problem.

6 A What happened was when we were looking at the
7 first contract we saw that, you know, that it had called
8 for deliverable and we couldn't find a deliverable under
9 Premier Alliance's name, so, you know, for fifty-one
10 hundred dollars. It was paid to Orlando Jones. We
11 couldn't find a deliverable for it but we started looking
12 at Premier Alliance quite a bit and we found they had the
13 same address as Crystal Communications back in Chicago. So
14 we looked under Crystal's first contract and we pulled, and
15 we started looking at them, comparing apples to oranges,
16 and we found out that what actually ended up happening is
17 the contract was started with Orlando Jones and Premier
18 Alliance initially with the telecommunications, but Crystal
19 Communications took over and ran with it from that point
20 forward with just Marty Pollock. Orlando Jones was
21 separated from that company. What we then looked at was,,
22 well, how did this happen and how did they slide it
23 through. What they did is Marty Pollock was the one that
24 actually wrote the deliverable that I told you about for
25 that fifty-one hundred dollars, that quick look was maybe a

20

1 three page deliverable that he wrote and turned in, like
2 this is what I propose you need to do to update and fix
3 your telecommunications systems. Well, he signs it Marty
4 Pollock for Premier Alliance. He then writes a proposal
5 from Crystal Communications to UMC that said based on the
6 proposal written to you by Premier I think you should do
7 this, but he never says that he was the one that wrote it.
8 So it was pretty apparent that they were trying to do a
9 quick hide there so.

10 Q So he had made it appear as if he had reviewed
11 a report done by somebody else?

12 A Correct.

13 Q And then he was making a new proposal based on
14 this consulting work that had already been done when in
15 fact he had done it?

16 A Correct.

17 Q He had done that other report that he was
18 referring to?

19 A Yes.

20 Q But the money had gone to Premier Alliance,
21 Orlando Jones, which happened to be a company occupying the
22 same office space as he did in Chicago?

23 A That is correct.

24 Q Premier Alliance having received that first
25 money, did Orlando Jones ever show up and do any work at

20

1 UMC as far as you were able to tell?

2 A No, no one ever recalled seeing him or talking
3 to anyone reference Premier Alliance.

4 Q I'm going to ask you about one more set of
5 transactions and then I'll be done with you.

6 Are you familiar with Alonzo Barber?

7 A Yes, sir.

8 Q And who is he?

9 A He is the owner of TBL Contruction.

10 Q Is that a local construction company?

11 A Yes, sir.

12 Q Would you say they are small or large?

13 A Fairly small.

14 Q Did you discover in your search warrant
15 documents that showed that there had been a contract with
16 that construction company, TBL?

17 Or let me change that question to a
18 change order arrangement.

19 A Yes, sir.

20 Q With TBL.

21 Pursuant to that change order arrangement,
22 had Lacy Thomas found a way to pay TBL to do work at the
23 northeast tower project at UMC?

24 A Yes, sir.

25 Q When did this happen, do you know?

20

1 A Yeah. August -- I'm sorry. It would have
2 been around November of '04 was when they had -- let me
3 see.

4 December -- I'm trying to find the exact
5 date of the change order for you.

6 Towards the end of September of '04 I
7 believe. I'm trying to find the exact date it was signed.

8 Q We can come back to that.

9 A Okay.

10 Q Under this contract with TBL, TBL was supposed
11 to do what at that northeast tower?

12 A Per Thomas?

13 Q Yes.

14 A They were going to manage the, they were going
15 to supervise the bringing in of utilities to the northeast
16 tower and the landscaping.

17 Q Now was that stuff already being done by
18 another contractor?

19 A Yes, it was.

20 Q So some other contractor was already building
21 the northeast tower and had already agreed to do those
22 exact things; I mean that was Part of their contract,
23 right?

24 A Clark and Sullivan was the general contractor
25 for that and that portion of work would have fallen on

1

1 Clark and Sullivan to fill. Either do it themselves or
2 either they would have hired their own contractor to do it.

3 Q So by hiring TBL to do this it was doubling
4 work, I mean it was a double payout for work that was
5 already covered in the prior contract; is that right?

6 A It was a combination of things, that's
7 correct, yeah, it was.

8 Q Did you speak to Alonzo Barber about this?

9 A My partner did.

10 Q Did you speak to Lacy Thomas about it?

11 A I did.

12 Q What did he say about why he had hired them to
13 do something that was already covered in the prior
14 contract?

15 A He said that he was very upset about the
16 northeast tower project, there was no minority involvement
17 in it, he felt the northeast tower project was going to be
18 his legacy and that he wanted, it was a shame that there
19 was no minority involvement because it was a community
20 hospital and he wanted some minority involvement on it. He
21 said that Thom Reilly, initially he said that Thom Reilly
22 was just as upset as well, the then county manager, and
23 that Thom had instructed Lacy to try to get somebody, a
24 minority company involved with the project at the time.

25 Q Was there any discussion of what kind of

1 minority he wanted to see on the project?

2 A No. He had said that there was already, you
3 know, he knew there was already some Hispanic contractors
4 that were involved in it, but there was no black, African
5 American contractors involved.

6 Q So that's why he had sought out Alonzo Barber,
7 because he was black and he was a local contractor?

8 A Yes, sir.

9 Q And did he then discuss Mr. Barber's
10 qualifications to handle the power feed to the northeast
11 tower and --

12 A No.

13 Q Okay.

14 A No, he --

15 Q And did you confront him with the fact that
16 that was already covered by a prior contract?

17 A Yes. Yes, we did. And he claimed that, and
18 he mentioned too it was kind of a combination as far as
19 that whole thing occurred is with Clark and Sullivan having
20 control over bringing in the utilities and doing the
21 landscaping at the end of the project is what normally
22 happens at these stages, so there is a loophole there that
23 you could kind of bring another company in and give them a
24 change order and award them a contract so they can make
25 this money without the Board of Hospital Trustees knowing

1 about it.

2 Q So he said that was within his discretion to
3 do?

4 A That was within his power as chief executive
5 officer, he could do that, yes, change orders up to five
6 hundred thousand dollars on this particular project.

7 Q Okay. That's authority he claimed?

8 A That's authority that he claimed to us, yes.

9 Q The contract with Alonzo Barber and TBL
10 Construction was for how much money?

11 A It was for seventy thousand dollars.

12 Q And it called for Alonzo Barber to do what?

13 A To manage an electrical company bringing in an
14 electrical feed from the street to the northeast tower
15 project, to provide power to the building and then to
16 manage a landscaping company to come in and provide
17 landscaping for the northeast tower project.

18 Q Did Lacy Thomas say what exactly he was
19 supposed to do since the work was being done? Was he
20 supposed to look over the shoulder --

21 A Supervise it.

22 Q Supervise it?

23 A Uh-huh.

24 Q Okay. Was he asked about the fact that Alonzo
25 Barber's company had no experience doing that in the past

1 or was that discussed, the breadth of Alonzo Barber's
2 company and his prior experience?

3 A No, it was not, experience was not an issue.

4 Q You didn't talk to Lacy about that?

5 A No, I did not.

6 MR. MITCHELL: I have no further questions at
7 this time.

8 THE FOREPERSON: Gil.

9 BY A JUROR:

10 Q These questions that I'll ask of you may be
11 beyond the scope of your investigation, but I'd like to
12 know whether any personal information search warrants were
13 issued against Lacy Thomas for personal information.

14 MR. MITCHELL: Could you clarify what kind of
15 personal information?

16 A JUROR: Checking accounts, deposits, et
17 cetera.

18 THE WITNESS: Yes. Not search warrants, but
19 Grand Jury subpoenas.

20 BY A JUROR:

21 Q Subpoenas?

22 A Uh-huh, for banking and financial information.

23 Q If so, were there any traceable funds from any
24 of the individuals and/or the companies involved in these
25 contracts which flowed back to Thomas?

2

1 A Yes.

2 Q Thank you.

3 A JUROR: That was my question.

4 THE FOREPERSON: No further questions from the
5 Grand Jury. Do you have any follow-ups?

6 BY MR. MITCHELL:

7 Q Yes. On that issue there, what was the extent
8 of the kickback to Thomas that you could directly trace?

9 A It was from the Orlando Jones incident, how we
10 were discussing how Premier Alliance, we found a company
11 back in Chicago called the Family Guidance Center that
12 Orlando Jones worked as a lobbyist for, we then located a
13 contract that Family Guidance Center had engaged Orlando,
14 or Lacy Thomas' wife Henrene Thomas in for relocating a
15 morphine clinic -- heroin clinic --

16 Q Methadone?

17 A Methadone. Thank you, Scott. A methadone
18 clinic here in Las Vegas even though Henrene Thomas' career
19 was a secretary. So she was going to come out to Vegas and
20 locate a methadone clinic. We located Family Guidance
21 Center depositing money in her account, twenty-four
22 thousand dollars is what we located from that.

23 Q So money was paid by Family Guidance Center
24 for her services in finding business opportunities for this
25 methadone clinic here in Las Vegas?

2 1 A Correct. And it was paid, it was a newly
2 2 created LLC at that time called HT, Henrene Thomas LLC was
3 3 created. Even though we had found no corporation paperwork
4 4 anywhere on it, it was created, and then a checking account
5 5 was opened at Wells Fargo where those checks were deposited
6 6 that we found which was all right around that time frame
7 7 where the fifty-one hundred dollar check was handed out.

8 8 Q And that is what you were referring to when
9 9 you answered the question by the gentleman here with yes,
10 10 you were referring to that payment to Henrene Thomas into
11 11 her newly formed company's account?

12 12 A Yes, sir.

13 13 Q As far as you were able to determine did she
14 14 ever deliver any service in return for that?

15 15 A No.

16 16 Q No methadone clinic was ever set up here?

17 17 A No.

18 18 Q And she didn't have any prior work experience
19 19 that would be consistent with her doing that kind of
20 20 consulting work for a company?

21 21 A Not unless they were opening a front office.

22 22 Q Because she was just a secretary in the past,
23 23 nothing to do with drug treatment in the past?

24 24 A No knowledge, yes, sir, no knowledge. She had
25 25 fifteen, sixteen years as a secretary for Cook County.

MR. MITCHELL: Okay. Nothing further.

THE FOREPERSON: No further questions from the Grand Jury.

By law these proceedings are secret and you are prohibited from disclosing to anyone anything that has transpired before us, including evidence and statements presented to the Grand Jury, any event occurring or statement made in the presence of the Grand Jury, and information obtained by the Grand Jury.

Failure to comply with this admonition is a gross misdemeanor punishable by a year in the Clark County Detention Center and a \$2,000 fine. In addition, you may be held in contempt of court punishable by an additional \$500 fine and 25 days in the Clark County Detention Center.

Do you understand this admonition?

THE WITNESS: Yes sir.

THE FOREPERSON: Thank you for your testimony. You are excused.

THE WITNESS: Thank you.

MR. MITCHELL: I believe we have Mr. Carroll back for another twenty minutes and then we'll wrap it up.

THE FOREPERSON: Amelia, please turn off the computer. Thank you.

Mr. Carroll, you're reminded you are

2 1 still under oath.

2 MR. CARROLL: Yes. Thank you.

3 If you could just give me a second I'll
4 set up this Power Point presentation for you.

5 It's not showing up on my screen so I'm
6 going to have to look at this and try to work it because it
7 doesn't seem to be showing up on my computer right here.

8 Just give it a second to boot up and --
9 oh, here it is. Okay. It's on my computer.

10 Here, I think this is where we left off
11 last time.

12
13 JEREMIAH CARROLL,
14 having been previously duly sworn by the Foreperson of the
15 Grand Jury to tell the truth, the whole truth, and nothing
16 but the truth, testified as follows:

17
18 FURTHER EXAMINATION
19

20 BY MR. MITCHELL:

21 Q Sir, the change in the contract that was
22 initiated by Lacy Thomas that was designed to give more
23 money to ACS, did that actually go into effect?

24 A No, it didn't.

25 Q How did that get prevented?

2 1 A I think it was primarily, I talked about that
2 meeting in the finance director's office and we convinced
3 them that he wasn't, that wasn't part of the contract and
4 that we were going to oppose him if he tried to get it on
5 to the board.

6 Q And was it mentioned how financially
7 detrimental it was to UMC?

8 A Not so much to UMC but to, it was mentioned
9 detrimental to ACS and that he felt that they weren't
10 making any money and he felt he had to find a way to pay
11 them because he wanted to keep them in place.

12 Q Okay. So did you say to him, or anybody on
13 your behalf say to him that this will be very unfair to the
14 county if we make this change that you're suggesting?

15 A Oh, yeah, that was out of the question as far
16 as I was concerned, he couldn't do that.

17 Q So that was the whole point of the meeting was
18 to confront him with the fact that this would not benefit
19 UMC or the county; is that right?

20 A Right.

21 Q So after that did that contract ever get
22 modified in any way that would benefit ACS the way Lacy
23 Thomas wanted it to?

24 A It did get modified. And if I could skip
25 ahead a little bit here, this is just a posting

3 1 fluctuations that we talked about and how we wanted to do
2 2 averaging which kind of brings in, without the averaging
3 3 ACS would have paid commissions on about 4.6 million and
4 4 with the averaging it looked like about 1.3, 1.4 maybe
5 5 based on the 2005 cash receipts.

6 Q So did ACS, did they resist the idea of
7 7 averaging?

8 A You know I don't know. I don't know if they
9 9 did. All I know is, to answer your question, there was an
10 10 amendment provided, they lowered the baseline from
11 11 twenty-nine five to twenty-eight million, they also retroed
12 12 twenty-five thousand dollars back to the beginning of the
13 13 contract. Actually beginning of July.

14 Q When you say they, who did this?

15 A Well, the agreement did. But it was Lacy who
16 16 was really working this on behalf of ACS.

17 Q So you had a meeting with him in which he
18 18 pitched this new modification of the contract and said this
19 19 is what is proposed that we do?

20 A Well, I think one of the discussions we had
21 21 was we didn't understand why he was trying to escalate the
22 22 contract and give him a bunch more money and we felt that,
23 23 we wanted to know, I wanted to know the true value of the
24 24 contract, what's it really worth, and that was never
25 25 resolved. I couldn't understand why he just didn't pay a

3 1 flat fee, a consulting fee, just like a lot of other
2 2 contracts are paid, and he didn't want to do that. He
3 3 never really explained totally other than he said he wanted
4 4 them to work for their money. But eventually, this
5 5 eventually came up to the board where they had an
6 6 amendment.

7 Q Okay. And he was in favor of the amendment?

8 A Yes, he was.

9 Q And this amendment provided that they would
10 10 make twenty-five thousand dollars per month regardless of
11 11 how well they did in collecting the bills?

12 A That's correct. And that was retroed back to
13 13 July 1st.

14 Q So the amount of money that they got in a lump
15 15 sum as a result of this contract modification was the
16 16 number of months they had been on the job times twenty-five
17 17 thousand?

18 A That's correct.

19 Q And that turned out to be what? How many
20 20 months had gone by?

21 A I think it was up through -- well, it was
22 22 whatever the time period it was. I think they approved
23 23 that contract in April of 2006 and so they got it from July
24 24 up to that point.

25 Q So eight months worth of fees at twenty-five

3 1 thousand dollars per month?

2 A Right. As best I can recall as about the time
3 frame, but they were getting it retroed all the way up
4 through there.

5 Q And there was no performance based evaluation
6 going on here, correct? I mean if they collected no
7 dollars in a month they were still going to get that
8 twenty-five thousand?

9 A They were still going to get the twenty-five
10 thousand, yeah. And they lowered the twenty-nine five to
11 twenty-eight million.

12 Q All right. In lowering the baseline from
13 twenty-nine five to twenty-eight million, did they change,
14 did they succeed in changing how the twenty-eight million
15 was figured?

16 A No. It was just lowered to twenty-eight
17 million. But it didn't include, we weren't going to
18 include the indigent money, the Clark County Social
19 Services indigent money.

20 Q Okay.

21 A And that was interesting because in my mind
22 that was one of the things that he was pushing for and he
23 agreed not to push any longer and that was kind of like
24 part of the consideration, but to me there was no
25 consideration at all because they shouldn't have got it in

3 1 the first place according to the contract. The only other
2 thing that happened on the part of the county is we were
3 able to go to average instead of those spikes that you saw,
4 we pushed for that to get to the three month average
5 postings.

6 Q And so this contract, after it was modified,
7 actually passed through the Board of Hospital Trustees and
8 the county commission and actually became the new contract
9 that was honored?

10 A Right, it was.

11 Q Okay. What else do you have here?

12 A Now during that period of time March exceeded
13 the baseline and so they were, ACS was made a payment, the
14 hospital made a payment to ACS, and what we found was that
15 as part of that amount that was over the twenty, I think it
16 was the twenty-nine five at that time, it was over that
17 amount, but it included Medicaid billings that Great Lakes
4 18 Medicaid had already done that was supposed to be excluded
19 out of the contract.

20 Also in there we found that there was
21 payments that were for a sale of accounts receivable, bad
22 debts I should say, it was bad debt. Bad debt is like old
23 accounts receivable that you don't expect to collect,
24 although there is some question as to whether they were
25 collectable or not. So what happened on that one, this

4 1 second one down, we're talking about Orion, what happened
2 2 on that one, there was a contract that the hospital entered
3 3 into with a company called Orion to sell their bad debt, in
4 4 the process what they did was they paid ACS over a million
5 5 dollars as part of this whole agreement.

6 Q Okay. So I'm going to backup a little bit
7 7 before we get to Orion.

8 You found out that when you were making
9 9 your commission payments, you're paying their commissions,
10 10 ACS's commission on the contract because they had exceeded
11 11 the twenty-nine five baseline, you found out that part of
12 12 what they were including in the twenty-nine five baseline
13 13 was collections that had been made by a third company that
14 14 also had a contract with UMC; is that right?

15 A That's correct.

16 Q That was Great Lakes?

17 A Correct. The hospital has a central billing
18 18 office and collection office. What happens is they hire
19 19 companies to supplement, help them out, because the volume
20 20 is so huge. So there was a company called, there was a
21 21 couple of them over this period of time, there was HFRI,
22 22 there was Accordis, but actually Great Lakes eventually,
23 23 which is another company out of Chicago, came in and took
24 24 over Medicaid, out-of-state Medicaid billings and in-state
25 25 Medicaid approvals.

4

1 Q And Great Lakes had been hired, had signed a
2 contract with Lacy Thomas as well; is that correct?

3 A That's correct.

4 Q So he had hired this Chicago company to hire,
5 to handle out-of-state Medicaid billings?

6 A Right.

7 Q And they were collecting money under their
8 contract?

9 A Right.

10 Q But ACS somehow was using --

11 A Included that in theirs too. So it was double
12 counted. So we were paying Great Lakes Medicaid, Great
13 Lakes a commission to collect on that money, and then we
14 were also paying ACS.

15 Q For the same thing?

16 A Right.

17 Q So now as part of their bill collection
18 effort, ACS, was it ACS that sold this bad debt to Orion or
19 was it the hospital?

20 A It was the hospital.

21 Q Did ACS have some complicity in that sale?

22 A Very little. As a matter of fact we received
23 e-mail from them, one of the principals in Superior and now
24 works for ACS, and according to that e-mail he said we
25 brought only the suggestion idea to the table and the final

4 1 decision on what accounts were being sold took place during
2 2 the negotiations of the contract with Orion. So they're
3 3 saying we just brought the idea, we just suggested it, and
4 4 we paid them over a million dollars to do that.

5 Q Did Lacy Thomas have involvement in selling
6 6 the bad debt to Orion?

7 A As far as I know he did, yes.

8 Q So the amount of bad debt that was sold to
9 9 Orion was, what was that figure?

10 A Oh. It was -- hold on a second. I've got
11 11 that figure here I believe.

12 Q Six hundred and --

13 A Yeah, six hundred eighty million, that's
14 14 correct. We ended up paying ACS one million one hundred
15 15 and sixty-one thousand dollars for that suggestion. And
16 16 for those of you who may not be familiar with hospitals or
17 17 bad, sale of bad debt, sale of bad debt is very common,
18 18 there is always companies that come in, I've been
19 19 approached myself to try to get the hospital to sell some
20 20 of those accounts receivable, so it's not that unusual.

21 Q So what happens when they sell bad debt is
22 22 they give some other company the right to collect on those
23 23 bills; is that right?

24 A That's correct.

25 Q And they get to keep the money for themselves?

4

1 A Right.

2 Q And they just pay the hospital money for that
3 right?

4 A That's correct.

5 Q So Orion paid UMC how much for the right to
6 collect six hundred eighty million dollars of bad debt?

7 A It was supposed to be eight million --
8 somewhere around the neighborhood of eight million five
9 eighty-three, but UMC never received that much money. They
10 only received 5.74 as far as -- five million seven hundred
11 forty thousand eight hundred approximately.

12 Q And in receiving that five million whatever
13 the rest of it was, they also, UMC had to pay ACS a
14 commission on the sale of that bad debt of over one million
15 dollars just for making the suggestion to sell the bad
16 debt?

17 A Right.

18 Q The bad debt that was sold, were you able to
19 determine if it was all in fact bad debt?

20 A I can only tell you anecdotally about some of
21 that bad debt. One of the things Holly Gordon, who is a DA
22 with the civil bureau, came up to me and said --

23 Q Without saying what she said. It would be
24 hearsay.

25 A There was an indication that they were good

5 1 accounts and --

2 Q We can have somebody else testify about that.

3 A That would be better.

4 Q Okay. But the agreement that the hospital was
5 supposed to have was the only thing that should be sold to
6 Orion would be stuff that had already been unsuccessfully
7 collected; is that right?

8 A Right.

9 Q Like they had been trying for so many months
10 to collect on these debts and hadn't been successful so
11 they were going to sell the right to somebody else?

12 A That was the purpose of them, right.

13 Q But the purpose was not to sell accounts that
14 were expected to produce money or that were in the process
15 of producing money at that time; is that right?

16 A Yes.

17 Q Okay. And is that what you think that this
18 Holly Gordon from the D.A.'s office should be able to
19 testify about?

20 A She would be able to testify to that. So
21 would Lee Myers from the hospital, as far as some of the
22 accounts he would be able to testify also.

23 Q Okay. And things that should not be included
24 in the bad debt amount would be lawsuits that were pending?

25 A There was pending liens, pending lawsuits, I

5 1 know of those two, but I don't know if there was anything
2 2 else. I know that they didn't get paid the full amount
3 3 because what they said was there were debts and
4 4 bankruptcies as part of that six hundred and eighty million
5 5 that was sent over to them and so they didn't pay the full
6 6 amount, but to me the sale was, the sale, when you get
7 7 eight million you turn everything over to them, what they
8 8 collect they collect, they should have done their due
9 9 diligence. But somehow, I don't know this for a fact, but
10 10 there may have been a side agreement that they were only
11 11 going to, they weren't going to, they were going to switch
12 12 out some of these accounts.

13 Q So what you're saying is that Orion was
14 14 supposed to pay eight million dollars for this right to
15 15 collect six hundred and eighty million dollars in bad debt,
16 16 but they later claimed that they shouldn't have to pay the
17 17 full eight million dollars for that because it turned out
18 18 to be bankruptcies and --

19 A Right. That doesn't mean that --

20 Q And bad debtors?

21 A A lot of the other ones could have very well
22 22 been collected and they very well could have been over that
23 23 eight million. We don't know.

24 Q Okay. But the county tries to recoup expenses
25 25 by placing liens on people's property that haven't paid

5 1 their debt; is that correct?

2 A That is correct.

3 Q And they do that pretty often, I mean as a
4 common practice; is that right?

5 A That's right.

6 Q And they sometimes resort to litigation to
7 recover their expenses; is that right?

8 A That's correct.

9 Q Those would not be things that you would
10 include in that six hundred eighty?

11 A That's correct.

12 Q Because those are accounts that you expect to
13 receive something on?

14 A Right. And even liens sometimes are for a
15 couple of, couple of years, but from my discussions with
16 the District Attorney's Office they've always been able to
17 renew those things so it's never been a problem that way.

18 Q Okay. Now did you speak to Lacy Thomas about
19 why a million dollar commission was paid to ACS just for
20 recommending that this bad debt be sold off?

21 A No, I never did.

22 That's pretty much the end of the
23 presentation.

24 There is still some litigation going on
25 with ACS right now between the hospital now and ACS because

5 1 of interpretations in the contracts. There were other
2 things that came into play like in the beginning of the
3 contract that dealt with refund. What happens sometimes is
4 the county receives double payments on certain items and so
5 we have to refund the money. Well, those needed to be
6 deducted out of the baseline, the amount of money that was
7 measured against that baseline, because clearly it was
8 double payments. I mean you could see it from the accounts
9 where they got double paid for an account and so you
10 wouldn't expect ACS to receive payment on double payments.
11 So there were still some items in litigation over those
12 type of things that we felt shouldn't have been in there.

13 Q Okay.

6 14 A That's that last screen.

15 Q So a patient pays the hospital and the
16 hospital makes a demand for the money and then ACS comes
17 along and demands the money and they pay ACS as well, the
18 hospital has to refund the money because it's been double
19 paid?

20 A Right. Sometimes a patient will pay and an
21 insurance company will come along and pay, also you have
22 two insurance companies that sometimes pay for the same
23 claim, so what those are called is credit balances and so
24 those had to be, they have to be refunded back to
25 individuals.

6 1 Q And ACS is trying to claim those items,
2 commission on a double, I mean that's what the litigation
3 is about?

4 A Yeah. That's part of what it's about, yes.
5 MR. MITCHELL: Okay. I have no further
6 questions.

7 THE FOREPERSON: Gil.
8 BY A JUROR:

9 Q I had a few questions for you Mr. Carroll.

10 A Sure.

11 Q I know that as the fiscal cop so to speak for
12 the county you have a responsibility to do these audits
13 periodically. When were these audits prepared regarding
14 UMC when you discovered that there were some contractual
15 problems?

16 A I was saying it started near the end of 2005
17 and it was, because of all these discussions that we had
18 regarding that one document that dealt with paying ACS that
19 additional money, so I went to the county manager, and it
20 wasn't on our audit schedule, so I went to the county
21 manager and I said I think this is something we need to do
22 and he agreed and so we started that audit towards the end
23 of 2005.

24 Q How long did the audit take before you had a
25 final or interim report to make to the board of UMC or the

6 1 board of commissioners?

2 A You know I don't have that information
3 available but I can get it for you.

4 Q Was it a year or six months or --

5 A Well, there was one that was -- it was
6 probably the first -- there was an interim report that we
7 did regarding the terms of the contract in which we said we
8 really oppose the terms of the contract and I'm kind of
9 guessing it probably was six months and then it took us a
10 little bit longer. We did, when we looked at the postings
11 for ACS we wanted to give them a full year of postings
12 before we could comment on whether they were producing or
13 not. Now you know we're not idiots, there is a lot of
14 variations of why you don't collect the amount that was the
15 year before, it could be market, you could have market
16 shares, there is a variety of reasons, but they were down
17 six million dollars from the year before. That's the
18 bottom line.

19 Q But in your investigation of ACS, did you look
20 into the nature of how the contract evolved as well as did
21 you look into the RFP procedure, whether it was met? We
22 know that in subsequent testimony that there were some
23 information regarding an RFP and so forth. Did you go into
24 that and look at any of those kind of pre-contractual
25 actions before you laid out your investigative report?

6

1 A At the time we started our audit the
2 objectives were, and we try not to go beyond objectives
3 because audits will take forever, so the objectives were to
4 look at the terms and to see how, if things were improving,
5 and so I don't recall that we went back and looked at that
6 RFP process.

7 Q I have one question regarding what you said
8 this afternoon on the six hundred and eighty million dollar
9 sale of the bad debt, quotation marks.

10 A Right.

11 Q Do you have any indication as to how much was
12 actually collected after the sale of the bad debt?

13 MR. MITCHELL: By Orion? How much was
14 collected by Orion?

15 THE WITNESS: No.

16 MR. MITCHELL: That may come in later through
17 a different witness.

18 A JUROR: Thank you.

19 BY A JUROR:

20 Q I have a couple of questions.

21 Who -- did they figure out their own
22 baseline? Not the baseline, but if they met it. Because
23 you guys had reports too. Did they figure out what was
24 owed to them?

25 A As far as the baseline you mean?

6 1 Q Yeah, as far as the whole thing that they
2 collected that was not gone through.

3 A You mean on a monthly basis, is what you're
4 asking?

5 Q Correct.

6 A And whether -- who decided how much they owed?
7 To my knowledge there was reports coming out of the
8 business office and the business office would, I think
9 would be the one that collected the information to see
10 whether they exceeded it. But what we would do as part of
11 the audit, we would look at that, not part of the audit,
7 but we would look at that number, I have an auditor that
12 looked at that number on a monthly basis and went back to
13 see if any of it was part of the Great Lakes, and so we had
14 to deduct out Great Lakes, we had to deduct out items such
15 as refunds which we didn't feel those were, we felt those
16 were double payments in the revenue cycle.

18 Q So they weren't paid on that?

19 A No. Well, except for March. March they,
20 somehow they got paid for that and that's when we went back
21 and there was an overpayment of about a hundred sixty-seven
22 thousand dollars.

23 Q The other question I have is did you guys, did
24 they redo, you know, how the twenty-five thousand dollars,
25 the retroactive that, did they retroactive the twenty-eight

7

1 million?

2 A No, I don't think that they did. I think that
3 started April 1st.

4 Q And one more question. How often do they hit
5 your audit calendar?

6 A How often does who hit my audit calendar?

7 Q UMC.

8 A I have four people that work for me at UMC
9 full time. I have, we audit HIPAA, we audit corporate
10 compliance which is, corporate compliance is a program to
11 determine whether we're in compliance with federal
12 regulations, so that covers Medicare, Medicaid, VA, those
13 type of payments. So I have an auditor for that. Then I
14 have one auditor that does financial performance audits at
15 UMC continually and then I have a manager that oversees all
16 of that. And she also acts as the compliance officer for
17 the hospital.

18 THE FOREPERSON: Kathy.

19 BY A JUROR:

20 Q Earlier when you testified you said you had
21 received some material that kind of red flagged
22 modification of the original contract of ACS. What was it
23 and do you know where it came from?

24 A Right. That was this one right here. I think
25 I mentioned I couldn't recall who gave it to me. I think

7 1 it was somebody over at UMC. It might have been, I had a
2 2 lady working there named Trudy Madsen, it could have been
3 3 her, or it could have been the comptroller. I'm not sure
4 4 but somebody gave me it.

5 Q Is it the actual modification?

6 A It was an attempt. And let me comment on that
7 7 for a second because I feel kind of strongly a little bit
8 8 about this. It was, I don't see the difference between
9 9 attempted robbery and this attempt to do this. Because he
10 10 put his name on it, he tried to change it. And it doesn't
11 11 matter to me whether, I mean we had difficulty with ACS,
12 12 but in my opinion it comes down to I don't think that Lacy
13 13 was telling the truth when he tried to push this through.

14 BY MR. MITCHELL:

15 Q Okay. That which you have is something that
16 16 was signed by Lacy and it was his proposal to modify the
17 17 contract?

18 A Right.

19 Q And did you speak to him about this and he
20 20 said that this was his signature?

21 A I -- I spoke to him about that. I didn't ask
22 22 him specifically if that was his signature. But that's
23 23 what we talked about earlier where I received that document
24 24 that tried to modify it to include those Social Services
25 25 indigent money when the contract explicitly didn't include

7
1 it.

2 Q And that would have allowed ACS to receive
3 credit for money that was being already automatically sent
4 to UMC without any bill collection effort at all; is that
5 correct?

6 A Well, I wouldn't say without bill collection,
7 but there is probably some in there, but the contract said
8 they weren't supposed to get it because primarily we always
9 get it, and what happens is if there is not enough claims
10 to submit to Social Services they can increase the amount
11 so the money does get to UMC and the purpose for that is
12 because it's such an indigent hospital.

13 MR. MITCHELL: Let's make this a Grand Jury
14 exhibit.

15 THE REPORTER: What number?

16 MR. MITCHELL: Two I guess.

17 A JUROR: Two.

18 MR. MITCHELL: And we've gone over five
19 o'clock.

20 If there are no more questions.

21 THE FOREPERSON: There are no further
22 questions from the Grand Jury.

23 Mr. Carroll, the admonition concerning
24 penalties for violating the secrecy of these proceedings
25 still apply.

7 1 Do you understand?

2 THE WITNESS: Okay.

3 THE FOREPERSON: Thank you for your testimony.

4 THE WITNESS: You're welcome.

5 THE FOREPERSON: You are excused.

6
7 (Proceedings adjourned, to reconvene
8 at a later, undetermined time.)
9

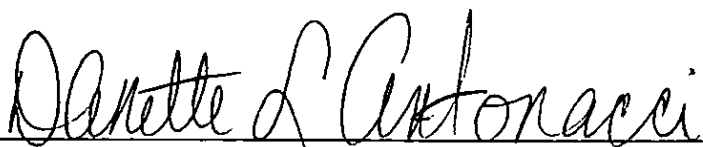
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REPORTER'S CERTIFICATE

STATE OF NEVADA)
 : ss
COUNTY OF CLARK)

I, Danette L. Antonacci, C.C.R. 222, do hereby
certify that I took down in Shorthand (Stenotype) all of
the proceedings had in the before-entitled matter at the
time and place indicated and thereafter said shorthand
notes were transcribed at and under my direction and
supervision and that the foregoing transcript constitutes a
full, true and accurate record of the proceedings had.

Dated at Las Vegas, Nevada, February 6, 2007.


Danette L. Antonacci, C.C.R. No. 222

AFFIRMATION

Pursuant to NRS 239B.030

The undersigned does hereby affirm that the
preceding TRANSCRIPT filed in GRAND JURY CASE NUMBER

07AGJ094A:

☒ Does not contain the social security number of any
person,


-OR-

☐ Contains the social security number of a person as
required by:

A. A specific state or federal law, to-
wit: NRS 656.250

-or-

B. For the administration of a public program or
for an application for a federal or state grant.


Signature2/6/08
DateDanette L. Antonacci
Print NameOfficial Court Reporter
Title

EIGHTH JUDICIAL DISTRICT COURT

FILED

CLARK COUNTY, NEVADA

ORIGINAL

ORIGINAL FEB 21 8 16 AM '08

BEFORE THE GRAND JURY IMPANELED BY THE AFORESAID
CLERK OF THE COURT
DISTRICT COURT

THE STATE OF NEVADA,

Plaintiff,

-vs-

LACY L. THOMAS,

Defendant.

C241569
Case No. 07AGJ094A

Taken at Las Vegas, Nevada

Tuesday, January 22, 2008

9:06 a.m.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

VOLUME 2

Reported by: Danette L. Antonacci, C.C.R. No. 222

CE15

3

1 GRAND JURORS PRESENT ON JANUARY 22, 2008:

2

3

JOHN WHESDOS, Foreman

4

GILBERT EISNER, Deputy Foreman

5

RANAE WESTON, Secretary

6

WILLIAM BRZEZINSKI

7

RICHARD CASE

8

GARY CUTLER

9

FELICIDAD GEAGA

10

KATHY GAINES

11

MICHELLE HON (Arrives at 9:30 a.m.)

12

DOUGLAS JONES

13

PAT LOPES

14

AMELIA MAALOUF

15

KURT NICOLA

16

KENT WILLIAMS

17

18

Also present at the request of the Grand Jury:

19

Scott Mitchell,
Chief Deputy District Attorney

20

21

Christopher Laurent,
Chief Deputy District Attorney
(Present for morning session only.)

22

23

Melissa Wright,
Forensic Legal Auditor, District Attorney's Office

24

25

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3 1 LAS VEGAS, NEVADA, TUESDAY, JANUARY 22, 2008

2 * * * * *

3
4 DANETTE L. ANTONACCI,

5 having been first duly sworn to faithfully
6 and accurately transcribe the following
7 proceedings to the best of her ability.
8

9 THE FOREPERSON: Would you please stand.

10 Please raise your right hand.

11 You do solemnly swear that the testimony
12 you are about to give upon the investigation now pending
13 before this Grand Jury shall be the truth, the whole truth,
14 and nothing but the truth, so help you God?

15 MR. CLAYPOOL: I do.

16 THE FOREPERSON: Please be seated.

17 You are advised that you are here today
18 to give testimony in the investigation pertaining to the
19 offenses of theft and misconduct of a public officer
20 involving Lacy L. Thomas.

21 Do you understand this advisement?

22 MR. CLAYPOOL: Yes.

23 THE FOREPERSON: Please state your first and
24 last name and spell both for the record.

25 MR. CLAYPOOL: My first and last, Donald Blain

3 1 Claypool, D-o-n-a-l-d, B-l-a-i-n, C-l-a-y-p-o-o-l. I go by
2 my middle name, Blain.

3

4

DONALD BLAIN CLAYPOOL,

5 having been first duly sworn by the Foreperson of the Grand
6 Jury to tell the truth, the whole truth, and nothing but
7 the truth, testified as follows:

8

9

EXAMINATION

10

11 BY MR. MITCHELL:

12 Q Sir, would you state what position you
13 currently hold with the county?

14 A Currently, I currently hold the position of
15 Chief Operating Officer of the University of Nevada School
16 of Medicine. I'm not with the county, I'm with the medical
17 school.

18 Q And the medical school is not under the
19 auspices of UMC at this point?

20 A The medical school is not under the auspices.
21 We're a school within the University of Nevada Reno, part
22 of the Nevada System of Higher Education.

23 Q Did you formerly have a position with UMC?

24 A Yes, I was formerly the Chief Operating
25 Officer of UMC.

3

1 Q And what years did you hold that position?

2 A I believe it was around the time frame of
3 February of '03 to January of '06.

4 Q Okay.

5 A Somewhere around that time.

6 Q All right. And did there come a time in your
7 career where you applied for the position of Chief
8 Executive Officer of University Medical Center?

9 A Yes, I did. When I first came over to UMC as
10 the Chief Operating Officer and the search was on I applied
11 for the CEO job.

12 Q Okay. And what experience did you have that
13 made you feel that you were qualified for that position
14 that you had applied for?

15 A I applied for it, I figured I might as well
16 put my name in, I had been Chief Operating Officer of
17 Valley Hospital for two and a half years, prior to that I
18 was chief operating officer of a hospital in a suburb
19 outside of Seattle, in Auburn, Washington, for about three
20 and a half years, and prior to that I had held numerous
21 positions at University Medical Center for about seven
22 years when I had worked there from around '91 to '97.

23 Q Okay. In those positions at University
24 Medical Center that you had held, were you aware of the
25 responsibility that the chief executive officer had of

3

1 fiscal responsibility in making sure that the hospital
2 generated as much income as it could?

3 A Yes, I am aware of that.

4 Q Okay. And you were at the time?

5 A Yes, I was aware of that.

6 Q All right. Now as it turned out Lacy Thomas
7 ended up being hired as CEO of UMC; is that right?

8 A That is correct.

9 Q And when that happened, what position did you
10 continue to have or did you continue to --

11 A I continued my role as chief operating
12 officer.

13 Q And your responsibilities versus his at that
14 point were what? What were you supposed to be in charge of
15 and what was he supposed to be in charge of?

16 A As chief operating officer I had a number of
17 direct reports within the organization where the nursing
18 departments would answer to me, the professional services,
19 so radiology, those type areas, also the facilities and
20 support services and the ambulatory care, really all the
21 day-to-day operations reported to the chief operating
22 officer and then I reported up to the CEO and kind of
23 worked hand in hand with the CFO. So the business
24 department billing went to the CFO, the rest of really the
25 operations came to me and my responsibility was to oversee

3 1 those day-to-day operations, make sure we were managing our
2 expenses, managing our costs and managing within the
3 industry standard ratios that you measure to make sure your
4 hospital is running efficiently. Information Systems
5 reported to me also.

6 Q As you continued to work in this capacity as
7 the chief operating officer, did you become aware of
8 information that showed you whether or not the hospital was
9 in your opinion operating profitably or as profitable as
10 possible?

11 A No. Over a period of time expenses began to
12 rise at a faster rate than our revenue. Although our
13 revenue was rising, we had done a very nice job on
14 renegotiating contracts in my opinion, managed care
15 contracts. The expenses were rising much faster and I was
16 informing the operating team that we were getting in
17 trouble and we needed to make cost reductions.

18 Q Now the expenses that were rising, were those
19 expenses that were under your control or somebody else's?

20 A The majority were under other people. We had
21 added a tremendous amount of staffing, which initially when
22 I first came in as chief operating officer I had final say
23 so on staffing, we had a staffing review committee that
24 would look, but ultimately within my department I could
25 decide whether or not and forward to the staffing committee

4 1 that would approve and so I had control budgetwise of that.
2 2 That was removed so.

3 Q That responsibility was removed from you?

4 A That responsibility was removed and anybody
5 that needed to come forward and wanted to come forward
6 could come forward for positions and get, seek approval on
7 those, so I was no longer responsible for that aspect. So
8 we added a lot of staffing.

9 Q When you say we added a lot of staffing --

10 A University Medical Center.

11 Q You're saying that somebody else was making a
12 decision to add those staff members, not you?

13 A Not I. And you know there were a number of
14 positions added in support departments and various
15 departments throughout the hospital that although I had
16 spoken up against were still added.

17 Q Were they added by Lacy Thomas?

18 A I think Lacy approved them. I believe so,
19 yes.

20 Q Okay. So you had lost jurisdiction over that
21 particular aspect of the operation of the hospital?

22 A Yes.

23 Q The control over hiring additional staff?

24 A Yes. And controlling that expense side.

25 Q Okay. So in your view the portion that you

4 1 were in charge of was operating as fiscally responsible as
2 possible?

3 A Yes. I believe we were making decisions
4 necessary in operating as fiscally responsible as we could.

5 Q Okay. Now did you bring your concern to Lacy
6 Thomas when you saw that other expenses were going up and
7 not keeping pace with revenue?

8 A Yes, I did.

9 Q Did you do so specifically face to face?

10 A I did so specifically face to face. I would
11 meet with Lacy on a regular basis and I would bring up to
12 him issues on the expenses rising, what was driving it, not
13 just in staffing but also in other areas, and also bring
14 back the concept that had been discussed by the task force
15 that had been assigned to UMC during the interim period
16 prior to Lacy coming on board whereas we needed to look at
17 product lines and look at departments that weren't
18 functioning as well and look as those. I also brought the
19 administrative team together and asked them to compile a
20 list, I said, guys, we've got to sit down and look at this,
21 we've got to tighten our belts and we've got to make some
22 adjustments here, give me a list of options. I collected
23 all those options, and I asked for them in short term
24 savings, long term savings, and then a category that we
25 named politically sensitive. And politically sensitive

4 1 meant it may end up looking at a service or a department
2 closing or contracting something out. So those were
3 separated out knowing we had to really consider that and
4 that took a little more wait and I compiled that list and
5 provided that list to Lacy Thomas I believe in May of '05.

6 Q The setting whereby you provided this list to
7 him was a meeting at UMC?

8 A Both via a meeting and via e-mail.

9 Q Okay. Who else was present at the meeting, do
10 you recall?

11 A The meeting with Lacy, no. I think it was
12 just he and I one-on-one.

13 Q Okay. Do you have a copy of the list even
14 today?

5 15 A Yes, I do.

16 Q Would you like to refer to it as you answer my
17 next few questions?

18 A Sure.

19 Q Did you bring up with Lacy Thomas a need to
20 control the expenditures of the hospital that were going to
21 private consultants?

22 A Actually on the short term reduction list
23 there is a line item that reads consider decreasing usage
24 of high paid consultants based on cost benefit.

25 Q When you said based on cost benefit, did you

5 1 feel that the hospital is getting value for their, for the
2 2 money that they were paying out for these consultants?

3 A I believed that there could have been more
4 4 benefit obtained on what I observed, yes. That's why it
5 5 was included on there.

6 Q Okay. Did you give him specific examples of
7 7 what you were talking about when you brought up that item
8 8 with him?

9 A Over a period of time I had asked questions
10 10 about the contract that was to manage the billing office,
11 11 ACS, and had asked, you know, what we were doing about that
12 12 because it really didn't look as though they were going to
13 13 generate a tremendous amount of more money, and all I would
14 14 get was, don't worry about it, they're going to, we're
15 15 going to get more revenue, don't worry. And when I sent in
16 16 this e-mail the response I got back from him is, that's
17 17 nice, I'll discuss those, but concentrate on what we can do
18 18 to grow more revenue.

19 Q And in fact ACS was a contract that had been
20 20 entered into to supplement efforts that the county already
21 21 had going on to increase its collection on the accounts
22 22 receivable; is that right?

23 A That is correct.

24 Q And as far as you can tell ACS was just
25 25 another drain on the hospital's resources because they were

5 1 not increasing revenue but doubling the expenditure for
2 2 bill collecting?

3 A I don't know if they were doubling the
4 4 expenditure. It appeared in an early analysis of their
5 5 contract that they would be able to get a large sum of
6 6 money of their twenty-five percent share without us really
7 7 collecting much more money or anymore money the way the
8 8 contract was written.

9 Q When you presented this suggestion to him in
10 10 the face-to-face meeting you had, what was his response?

11 A I really would like to concentrate more on
12 12 revenue. Somewhere along those lines. I may actually have
13 13 notes if I can pull those out.

14 Q Sure.

15 A I've got actually here -- just as a note, I
16 16 had reached a point when I met with Lacy, when I would come
17 17 and prepare for a meeting with him, I wrote my notes and my
18 18 comments in black ink and I wrote his notes in red ink.

19 Q His notes; you mean his responses?

20 A His responses. Just so I knew what was going
21 21 on really. I went through all of the first quarter trend
22 22 with him. That revenue was already going up by 10.8
23 23 percent and that was not as a result of collections, it was
24 24 as a result of new contracts we had initiated with managed
25 25 care companies. But bad debt had gone up, contractals

5 1 were lower and we had, our expenses were growing faster
2 than the net. Even though we were growing ten percent the
3 expenses were going, because we had a serious increase in
4 staffing and I told people they needed to tighten up, and
5 basically what he said was how much is ongoing and how much
6 is one time. It was all ongoing. When you add a hundred
7 plus full time equivalent employees the cost is ongoing.

8 Q And those full time equivalents are actually
9 employees?

10 A Employees.

11 Q That had been hired in addition to what was
12 already employees?

13 A Yes.

14 Q Were some of those employees ACS people?

15 A I don't -- no, these employees were University
16 Medical Center employees. When you calculate the employees
17 you look at those that are on your payroll as a whole, and
18 there is a couple industry measures that you look at, and
19 in calculating, you know, is your staffing adequate and how
20 do you compare and should you have added more staff.

21 Q Okay. So you didn't have the breakdown of
22 where all these staff members were, just that you had a
23 hundred extra that you hadn't had before, and that
24 significantly increased the outlay of wages that you were
25 having to pay; is that right?

6 1 A That is correct.

2 Q With respect to the ACS contract, did he make
3 any specific response to what you said about that ACS
4 contract that he entered into?

5 A They're going to bring in the money.

6 Q Okay. Now did you speak to him about any
7 other contracts specifically that he had been responsible
8 for besides ACS?

9 A At a point in time -- you learn very quickly
10 not to bring up certain contracts -- or I learned not to.
11 I mean you just, they were out of touch and you did not
12 want to evoke a response from him.

13 I had, I was initially responsible for
14 Information Services which was information technology, the
15 computers. We had gone through a complete strip down of
16 the UMC information system because it had been modified
17 over the last ten years nearly out of existence, the
18 information system hardly worked, so we had to go back and
19 strip all the custom code out. We had set up a working
20 committee to go through this, and this is where Information
21 Systems reported to me, and myself and the CFO, the chief
22 information officer, had this committee that we were
23 working on, we drove that project and then had sat down and
24 said is this worthwhile to continue our committee, because
25 we were actually solving issues, and we had a lot of

6 1 different players in the room together, they said yeah,
2 it's a great idea. And we were talking to Ernie McKinley
3 at the time and saying Ernie, what we need is a project
4 board to come up with that allows us to see all the
5 projects that we're doing, and Ernie was in the process of
6 developing that, Ernie was putting something like that
7 together. It was at that time Frasier Consulting showed up
8 from Chicago, Greg Boone I believe was the principal that
9 showed up, Information Services was no longer to report to
10 me, just happened one day, and the committee was disbanded
11 and Greg Boone told everybody that he had a great idea,
12 that he was going to develop a project management. That
13 kind of goes back to the point of me saying you didn't
14 bring up the contracts because basically the authority got
15 pulled away from me. I no longer was responsible and I was
16 told this isn't mine, this is this. And I remember,
17 actually I had a conversation with Ernie McKinley saying,
18 look Ernie, I'm still going to be in close contact with
19 you, because we had this ambulatory care, we were
20 installing new software for all the quick cares, and I said
21 you're still going to have to help me on this and when I
22 call I still need your help, joking around with Ernie. I
23 got chastised saying why did you tell Ernie he still
24 reported to you, no one in IS reports to you, why did you
25 tell Ernie he still had to report to you. I said I told

6 1 Ernie that I still needed him to help me and he still would
2 get calls from me.

3 Q Who chastised you?

4 A Lacy Thomas.

5 Q The contract with Frasier Systems was one that
6 Lacy Thomas had entered into with Frasier Systems to bring
7 them in from the outside and displace you with what you
8 were already doing, right?

9 A Displace the project management, they did not
10 manage IT, they were to come in and do something.

11 Q Consulting work?

12 A Consulting work.

13 Q Okay. Did you then bring this up with Lacy
14 Thomas about Frasier Systems or did you feel that you would
15 get in trouble for doing so?

16 A After getting in trouble for talking to Ernie
17 I was not going to bring it up again.

18 Q Okay. Did you become aware of irregularities
19 in the way these consulting firms brought in from Chicago
20 were being paid?

21 A Yes. I had, as chief operating officer I had
22 contact with people throughout the hospital on multiple
23 levels, and I had worked at the hospital previously for six
24 or seven years so I knew a lot of people and people would
25 come to me, and there were concerns raised that our

6 1 accounts payable, because of the financial situation and
2 the cash flow issues at UMC were stretching out, these
3 consultants were getting paid same day they submitted a
4 bill or within the next two or three days of submitting a
5 bill.

6 Q What was the regular practice that was in
7 place normally if someone submitted a bill for services
8 rendered at UMC, how soon would they get paid?

7 A At that point in time it was sixty-five to
10 seventy days, that's just an estimate, and it could have
11 been even longer.

12 Q Was that because of the revenue stream being
13 what it was, you didn't have the money to pay them earlier?

14 A Yes.

15 Q But the consulting firms such as Frasier and
16 ACS, were they getting paid at a sooner --

17 A I don't know about ACS. I was informed, I
18 never saw the actual bill going out, but I was informed
19 that Frasier was paid within two to three days. And then
20 also there was some, before I left there was some telephone
21 company that showed up also and they were paid within days
22 of submitting their invoice also.

23 Q Crystal Communications?

24 A Yes, Crystal Communications.

25 Q This was information you gathered because of

7 1 your position as chief operating officer?

2 A Or people would come to me and say do you know
3 that we're being told to pay this. They knew that we were
4 struggling and they knew the position that I had in telling
5 people that we're struggling, we have to control our
6 expenses.

7 Q All right. Did you bring up the issue with
8 Lacy Thomas about payments going out so soon to certain
9 favored billers?

10 A No. At a point, and it was probably in
11 September of '05, I had seen enough of this going on with
12 ACS and with Crystal Communications and Frasier, and then
13 there was some other landscaping contract thing that went
14 down that people came to me about, and I was like oh my
15 God, document it, get as much documentation as you can, and
16 I had said I don't know why this is going on. You always
17 have gut feelings. So I picked up the phone and called
18 Jerry Carroll. Actually I ran into Jerry Carroll, the
19 internal auditor for the county, in the elevator one day
20 and I said, Jerry, I really have to talk to you. And so in
21 September time frame I called Jerry Carroll and said, look,
22 this has to be a confidential discussion, Jerry, because I
23 don't want to lose my job over this, but I need to tell you
24 that I have concerns, we've got several contracts here
25 that, typically as chief operating officer I was involved

7

1 in negotiations of contracts, I was excluded from these,
2 ACS, Frasier, this Crystal Communications and this
3 landscaping thing that happened.

4 Q Would you recognize the name of TBL
5 Construction?

6 A Yeah, I think that was it. That could be.

7 Q A local company?

8 A I knew it was a local company.

9 Q Was that for landscaping and overseeing the
10 electrical installation or the power, Nevada power feed to
11 the northeast tower?

12 (At this time, 9:30 a.m., Juror Michelle
13 Hon enters the room.)

14 THE WITNESS: I believe it had something to do
15 with the landscaping and something along the lines of the
16 electrical going to that. Why it was brought to my
17 attention by the person who was asked to get this contract
18 set up was that it essentially was a task that was already
19 assigned to the general contractor of the project, they
20 were already responsible for the parking lot and the
21 electrical feed and everything else, and it was really
22 interesting how it came -- the person was first told
23 something along the effect of make the contractor pay for
24 it and build it into theirs and then it came back and forth
25 to UMC paying for it and the contract being with

7 1 UMC. When the contractor refused, and I don't really know
2 exactly which one ended up signing the contract, but there
3 was a lot of debate back and forth over who was going to be
4 forced to sign this contract. And I say forced because to
5 even our own staff and I think to the contractor, they kind
6 of scratched their head and said this is already within
7 their scope.

8 Q So it was something, it was a service that had
9 already been paid for?

10 A It was a service that was already within the
11 contract and scope of the general contractor of the
12 project.

13 Q Which was Clark and Sullivan?

14 A Clark and Sullivan.

15 Q All right. Did you get e-mail in January of
16 '05 from Don Haight that had to do with change orders and
17 the need for county manager approval for change orders to
18 existing contracts?

19 A I don't recall. I do recall there was
20 something that came out from the county manager that said
21 all professional service agreements, et cetera, had to go
22 through county manager approval. If that's the same
23 e-mail. I don't know.

8 24 Q And do you know whether that e-mail, since it
25 came from the county manager, would have gone to Lacy

8

1 Thomas?

2 A I would imagine so. I would have to speculate
3 but I would imagine so.

4 Q Well, that was something that he had to comply
5 with specifically, right?

6 A Yes, he would have to comply with that
7 specifically. Although he told us that he had gotten the
8 ability to continue to negotiate those, that he had talked
9 to the county manager and the county manager said, well,
10 you know you've got professional services arrangements that
11 are different because you're a hospital. So he told us
12 that he had gotten authority on that to negotiate some of
13 those.

14 Q Without county approval?

15 A I don't know whether it was with county
16 approval or not. He informed us.

17 Q He informed you he had gotten permission to do
18 it without county approval?

19 A He informed us he had approval to do so. I
20 don't know if he had the approval or not but we went by
21 what we were informed.

22 Q So you had no knowledge of whether he was
23 telling the truth or not, you just know this is what he
24 told you?

25 A This is what he informed us.

8 1 Q Okay. And us being you and who?

2 A It would have been the administrative team.
3 Don would have also been involved in that.

4 Q Don Haight?

5 A Don Haight.

6 Q And the chief financial officer?

7 A I would imagine cheif financial officer also.

8 Q Chief information also?

9 A I would imagine so. I don't know.

10 Q Looking back, would you characterize Lacy
11 Thomas' attitude towards your concerns that you expressed
12 to him about the way the hospital was losing money
13 unnecessarily to have been one of disinterest?

14 A I think that's an accurate statement to
15 characterize it as disinterest. There was a disinterest.

16 Q And had he specifically told you not to worry
17 about these things or to leave them alone and to let him
18 worry about it?

19 A Just hold on it, just hold, just hold on,
20 we're going to get more revenue, just hold.

21 MR. MITCHELL: Okay. I have no further
22 questions if the members of the Grand Jury have any.

23 THE FOREPERSON: Gil.

24 BY A JUROR:

25 Q I'm interested in your tenure as a COO

8 1 regarding some of the statements that you made regarding
2 employees and hiring and so forth.

3 You had a table of organization at the
4 time, and the hiring, the extensive hiring that took place,
5 was that in concert with the table of organization or was
6 it a change basically in the allocation of personnel in
7 that original table that probably was approved at some
8 point in time? In other words, was the massive hiring that
9 took place which affected the financial condition of UMC
10 outside of the existant table of organization?

11 A I don't know that it was really outside the
12 existent organization chart because it fell within
13 departments, but kind of what I referred to is you look at
14 things in hospitals and standards saying if our daily
15 census, how many patients are in the hospital at night, how
16 many heads are in beds at night, if that goes up by a
17 certain number in aggregate you should add one more
18 employee. And so what I had done in this time frame in
19 telling Lacy that we had an issue was had watched the FTE,
20 the full time equivalent, creep, and our adjusted daily
21 census had gone up maybe a tenth and we had added a hundred
22 forty-seven FTEs.

23 Q So you added personnel over and above the
24 established criteria for adding personnel predicated on the
25 inventory of patients in the hospital?

8 1 A That would probably be accurate. We added
2 higher than what the industry standards out there are. And
3 I raised those issues to Mr. Thomas and I sat in our
4 administrative counsel which would have all the
5 administrators in the room and said, look, based on our
6 adjusted average daily census, our FTEs should be this,
7 it's not reflected a growth. The comment that I got back
8 from Lacy was, well, those numbers aren't accurate, those
9 don't hold for us, we need to find a new measurement
10 because that measurement doesn't work for us.

11 That's the measurement every hospital in
12 the United States uses.

13 Q This leads to my next question. The
14 compliance officer, the EEOC for UMC, did that person
15 report to you or was that in your organization as part of
16 the COO?

17 A The EEOC compliance officer reported through
18 human resources.

19 Q Okay. They did not report to you?

20 A No.

21 Q He or she did not report to you directly?

22 A Right.

23 Q Was the EEOC process utilized when these new
24 employees were hired?

25 A I couldn't answer that specifically. I don't

9

1 know.

2 Q Were past associates of Mr. Thomas hired
3 outright or through a selective process to the best of your
4 knowledge?

5 A To the best of my knowledge a few were hired
6 outright.

7 Q Outright?

8 A Yes, sir.

9 Q Do you know if any of those employees were
10 past associates of Mr. Thomas?

11 A I believe some were, yes, sir.

12 Q Thank you.

13 A JUROR: I have a question.

14 THE FOREPERSON: Yes, Bill.

15 BY A JUROR:

16 Q You referred earlier that you took copious
17 notes showing your statements and his, you also referred to
18 an e-mail, your first e-mail to him. Okay. In regard to
19 the -- can you read that e-mail?

20 A Would you like me to read the e-mail?

21 Q Yes. Or maybe we can get it put into the --

22 A This was November 23rd. This is not the
23 actual e-mail that was attached to this. I don't have the
24 e-mail that was attached to this e-mail.

25 But on November 23rd of 2005 I sent to

9 1 Lacy Thomas first quarter analysis concerns.

2 "Lacy, I would like to discuss this in
3 our Monday standing meeting. In review of our first
4 quarter results through September, there are some trends
5 that could have major impact if not reversed soon. Through
6 September, the cost per adjusted patient day is two
7 thousand eighty-two dollars versus prior year of one
8 thousand eight hundred and fifty-four dollars. Cost per
9 adjusted patient day is growing one and a half percent
10 faster than net revenue year to date. Key drivers of this
11 issue are as follows: Salaries and benefits are up one
12 hundred seventeen dollars per adjusted patient day.
13 Supplies are up twenty-four dollars per adjusted patient
14 day. In regards to salaries variance, they are over budget
15 year to date three million six hundred twenty-two thousand
16 six hundred thirty-six dollars and over prior year six
17 million nine hundred twenty-four thousand five hundred
18 ninety-four dollars. Adjusted average daily census --
19 these are the numbers that I was telling you about the
20 industry things -- adjusted average daily census is 648.3
21 fiscal year to date versus 648.9 prior year to date.
22 Actual average daily census is 484.1 for fiscal year to
23 date versus 475.29 prior year to date. Based on adjusted
24 average daily census, we should have no additional FTEs.
25 Based on industry standards --

9

1 BY MR. MITCHELL:

2 Q That means, to clarify what you said there in
3 that e-mail, that means you should not be hiring additional
4 staff because you don't have an additional patient load
5 coming in?

6 A Yes, that is accurate.

7 And then I go into "Based on industry
8 standards, the actual ADC increase of 8.81 should have
9 yielded one and a half additional full time equivalent per
10 average daily census -- that's the industry average -- or
11 13.2 additional. FTEs fiscal year to date are 3630.5
12 versus three thousand four hundred and seventy prior year
13 to date, a variance of 160.5. Additional FTEs not
14 attributed to growth would then be 147.3. 147.3 FTEs at
15 our average hourly rate for salaries and benefits of
16 thirty-six ninety-nine -- and what that does is take what
17 we pay average an hour, plus all the benefit costs, because
18 that's what it costs to bring a person in -- is tracking an
19 annual salary variance of eleven million three hundred
20 thirty-three thousand one hundred forty-four dollars.
21 Supplies are over budget four hundred and three thousand
22 six hundred ninety-two. We will implement the spine
23 program by January 1, which has a twelve month projection
24 of one million dollars, or a fiscal year savings of five
25 hundred thousand. I would like to discuss the cost

9 1 reductions proposed back in May and can resurrect the
2 2 document I previously submitted."

3 I then also attached a graph that showed
4 4 trends at the hospital back from fiscal year 2001, '02, 03,
5 5 '04, '05 and '06 to show what had happened to our net
10 6 revenue per adjusted patient day in our expenses and our
7 7 expenses for adjusted patient day and then talked about the
8 8 margin between whereas if your expenses are higher than,
9 9 you have a negative margin. Showed that in, and what this
10 10 actually showed was in fiscal year 2002 when UMC made the
11 11 change from its previous CEO, the margin loss per day was a
12 12 hundred forty-two dollars per patient day. We were
13 13 tracking in fiscal year 2006, and mind you this was, I sent
14 14 this in November and in May I sent him an expense reduction
15 15 saying we're in trouble, we've got to do something now, in
16 16 November I then sent this and our margin was a hundred and
17 17 seventy dollars loss per adjusted patient day. It was
18 18 worse than it was back in '02 when UMC had gone through its
19 19 crisis. And in '04 when UMC had redirected we had gotten
20 20 it down to ninety. So it was going this way and it just
21 21 went like that.

22 Q And did the sudden upturn in expenses
23 23 correspond with the hiring of Lacy Thomas?

24 A Yes, it does.

25 Q Is that when the change occurred?

10

1 A Yes, it's during that time frame.

2 Q In fact it corresponded almost to the month;
3 is that not right?

4 A I don't know if I could say it tied to the
5 month, but expenses were no longer the priority at the
6 hospital and control of the expenses did not seem to be the
7 priority at the hospital at all anymore.

8 Q Could you say that accurately very soon after
9 Lacy Thomas came on board as CEO the expenses started
10 rising dramatically?

11 A I don't know if it was very soon, but it was
12 probably within the first six months that it became
13 recognized that expenses were no longer a priority.

14 Q All right. I had another question for you.
15 Eventually you left the employ of UMC; is that right?

16 A Yes, I did.

17 Q What was the reason and circumstance
18 surrounding that departure?

19 A Well, I asked a lot of questions. I will tell
20 you these are my beliefs. I asked a lot of questions and
21 stood up a lot in our meetings about the expenses being out
22 of control, what value are we getting for what we're doing,
23 what are we going to do about this, how are we going to
24 control the costs, the hospital was sinking and we've got
25 to do something and we've got to get a move on, we've got

10 1 three pages of cost reductions. Hold on them. We can't
2 keep holding on them. So I kept asking those questions.
3 This e-mail I read to you with this chart, I sent a similar
4 e-mail in January updating on the next month's financials,
5 and I don't have that with me, but I sent a similar saying
6 the trends are continuing if not getting worse, we've got
7 to do something about this. I sent that on a Friday in
8 January.

9 Q January of '06?

10 A January of '06. I sent that on a Friday. On
11 Monday at 4:30 Lacy called me in my office and asked me for
12 my resignation.

13 Q And you tendered it?

14 A And I tendered my resignation and went out and
15 found a new job.

16 THE FOREPERSON: Gil.

17 BY A JUROR:

18 Q What generally is the time lag between the
19 time the information is available and the actual month that
20 information was incurred? In other words, what I'm trying
21 to find out is whether there was a two week, a month, two
22 month lag between the time the information was generated
23 and the time you had the opportunity to integrate that
24 information into your report?

25 A The financials, if I remember accurately, were

10 1 probably three weeks to four weeks behind the month. It's
2 2 a big operation with a very antiquated information system.
3 3 So it was about a month behind. But you would get that
4 4 information and quickly assess -- I mean it was a matter of
5 5 putting a few numbers into a spread sheet and spitting it
6 6 out. However, the staffing information I got my hands on
7 7 daily. Because I had to put a, had a program installed at
8 8 the hospital where you could see what everybody, staff
9 9 daily, it ran off the time clock and I attempted to get
10 10 everybody to pay attention to that. But again as I said
11 11 the control of staffing was removed out of my scope of
12 12 authority. So it's kind of like I had no teeth, I could
11 13 bark all I wanted on the staffing issue. So I saw that
14 14 daily. And every two weeks a staffing report would come
15 15 out that would actually show some of the numbers, it would
16 16 show the adjusted daily census for the two weeks and the
17 17 number of employees and calculate those type numbers. So
18 18 the information was readily available.

19 Q Thank you.

20 A You're welcome.

21 MR. MITCHELL: Any other questions?

22 THE FOREPERSON: No further questions from the
23 Grand Jury.

24 By law these proceedings are secret and
25 you are prohibited from disclosing to anyone anything that

11 1 has transpired before us, including evidence and statements
2 presented to the Grand Jury, any event occurring or
3 statement made in the presence of the Grand Jury, and
4 information obtained by the Grand Jury.

5 Failure to comply with this admonition
6 is a gross misdemeanor punishable by a year in the Clark
7 County Detention Center and a \$2,000 fine. In addition,
8 you may be held in contempt of court punishable by an
9 additional \$500 fine and 25 days in the Clark County
10 Detention Center.

11 Do you understand this admonition?

12 THE WITNESS: Yes, I do.

13 THE FOREPERSON: Thank you for your testimony.
14 You are excused.

15 MR. MITCHELL: We should put on the record at
16 this point that we do have present here today Chief Deputy
17 District Attorney Christopher Laurent from the District
18 Attorney's Office and Melissa Wright, also an employee of
19 the District Attorney's Office, that are in this proceeding
20 and we had a member of the Grand Jury come in about ten
21 minute ago I would estimate. We need to put her name on
22 the record.

23 A JUROR: Michelle Hon, H-o-n.

24 THE FOREPERSON: Please raise your right hand.

25 You do solemnly swear that the testimony

11 1 that you are about to give upon the investigation now
2 pending before this Grand Jury shall be the truth, the
3 whole truth, and nothing but the truth, so help you God?

4 MR. WALSH: I do.

5 THE FOREPERSON: Please be seated.

6 You are advised that you are here today
7 to give testimony in the investigation pertaining to the
8 offenses of theft and misconduct of a public officer
9 involving Lacy Thomas.

10 Do you understand this advisement?

11 MR. WALSH: Yes, I do.

12 THE FOREPERSON: Please state your first and
13 last name and spell both for the record.

14 MR. WALSH: My name is Michael Walsh.
15 M-i-c-h-a-e-l, W-a-l-s-h.

16

17 MICHAEL WALSH,

18 having been first duly sworn by the Foreperson of the Grand
19 Jury to tell the truth, the whole truth, and nothing but
20 the truth, testified as follows:

21

22 EXAMINATION

23

24 BY MR. MITCHELL:

25 Q Sir, are you presently employed by UMC?

11 1 A No, I'm not.

2 Q Did you use to be employed by UMC?

3 A Yes, I worked --

4 Q What position were you employed?

5 A I held several positions in my time there. I
6 was a director of planning, I was the chief financial
7 officer, and for a short time, about a year, I was the
8 interim chief executive officer.

9 Q Were you the chief executive officer at the
10 time that Lacy Thomas was hired to be the permanent CEO?

11 A Yes, I was.

12 Q When he was hired as the permanent CEO, what
13 position did you then hold under him?

14 A Chief Financial Officer.

15 Q All right. Prior to him being hired, had you,
16 as the temporary or operating CEO of UMC, instituted
17 certain measures to correct the financial problems that
18 were going on at UMC?

19 A Yes. There were several things that went on
20 as part of the recovery plan for UMC. I don't know if
21 anyone recalls, but the year before they had lost about
22 twenty-one million dollars in operations so there was a,
23 there was several plans put into place. A consulting firm
24 was hired to come in and look at operations and the county
25 commissioner created a citizens task force to review

11 1 operations and to make recommendations to the county
2 commission and I chaired those meetings.

3 Q Was the accounting firm Deloitte and Touche?

4 A Yes.

5 Q Were you trying to implement their suggestions
6 at the time the hiring process was going on for the new
7 CEO?

8 A Yes, that was the direction I was given by the
9 county commission. When the report and the recommendations
10 of the citizens task force were presented to the commission
11 they accepted their recommendations and so we began to
12 implement the recommendations.

13 Q And the recommendations had to do with how to
14 more effectively collect on accounts receivable among
15 others things?

16 A That was part of it. It was a lot more than
17 that, but that was a key part, yes.

18 Q The whole point of the recommendations they
19 had made were to keep the hospital from losing so much
20 money; is that right?

21 A Yes. In fact one of the recommendations of
22 the citizens task force was to run the hospital like a
23 business, quote unquote.

24 Q Okay. Now did you apply for the job of CEO
25 yourself?

12 1 know. But also during our group meetings, like at
2 executive team meetings or management team meetings, I
3 would always take some time to talk about financial reports
4 or the cash position of the hospital, for example, you
5 know, if we were a little tight on cash I would ask the
6 managers not to submit requests for purchasing capital
7 items because we didn't have enough money then. So we
8 would delay the purchase of capital items if possible when
9 cash was short because first and foremost we had to pay
10 vendors and pay the staff.

11 Q In these meetings that you had with Lacy
12 Thomas and other members were there, did the subject come
13 up on how much authority Lacy Thomas had been given to
14 negotiate contracts on his own without county approval?

15 A I think we were told that several of the
16 dollar limits that the CEO had in terms of signing had been
17 raised by the county manager I guess or the county
18 commission so that he had signing authority over much
19 higher dollar amounts, I think in some items maybe up to a
20 hundred thousand dollars.

21 Q Did Lacy Thomas represent that this had
22 happened?

23 A To my recollection, yes. I never saw a
24 communique from the county manager's office. It was just
25 related to us.

12 1 Q Okay. So you had to take his word for it?

2 A Well, he was my boss.

3 Q Okay. So when he said that, you were unaware
4 of that having happened, you were getting it from him?

5 A Yes.

6 Q Okay. Now did you ever see during your time
7 under Lacy Thomas your responsibilities diminish by him
8 where he took away responsibility that you had previously
9 had?

10 A Yes. Yes. Probably most significantly was
11 when the ACS contract was executed, they were going to come
12 in and run certain operations, so all of the departments
13 that had to do with the revenue chain, that being like the
14 medical records department, our eligibility and financial
15 counseling department, the business office, that would be
16 billing and collection, were removed from under me and
17 given over to ACS.

18 Q So did you have any input whatsoever in the
19 signing of the contract with ACS or the drafting of the
20 terms of the contract with ACS?

21 A No.

22 Q Anything at all to do with the contract with
23 ACS?

24 A When ACS first came on the scene Mr. Thomas
25 and I met with them and they did a presentation of how

12 1 their program would work. I didn't meet again with them
2 and Mr. Thomas to negotiate the contract. I had, I saw a
3 draft, one draft, and then I had a couple of concerns and I
4 shared them with the attorney who was our contact person
5 and did the agenda items for the county commission, Don
6 Haight. I had a couple of concerns. One had to do with
7 the termination clause because it gave us no opportunity to
8 terminate and the other one was in how the fees would be
9 calculated on a monthly basis, because you know, having
10 been in the business as long as I have, cash fluctuates
11 greatly, and so I looked at this as a potential problem for
12 UMC because we could have a real good month one month and
13 they would get a large fee, and the next month cash would
14 drop off, you know, maybe even more than it was over the
15 target amount the next month and there was no pay back.
16 You know, if they exceeded the baseline they got a fee, if
17 they were under the baseline there was no penalty, and I
18 thought that that wasn't, that wasn't in the best interest
19 of UMC. But nothing was ever done about that.

20 Q So speaking generally, if ACS underperformed
21 in collecting money for UMC, that was not tied to any
22 decrease in the fee that they would be collecting?

23 A Not to my recollection, no.

24 Q There is no penalty whatsoever for them
25 underperforming?

13

1 A Only if on a monthly basis they didn't meet
2 the target they wouldn't get a fee. If they exceeded it --
3 from what I recall I believe for the year they didn't make
4 the target but they still got a fee. But you know.

5 Q Right. So this would normally be something
6 that you would have a lot of say over if you were going to
7 turn over bill collecting to an outside company?

8 A Yes.

9 Q All right. And you were removed from that
10 process by Lacy Thomas?

11 A Yeah. The ACS manager on-site would meet with
12 me every couple of weeks and just tell me what was going
13 on. But it wasn't an opportunity for me to direct them in
14 any way.

15 Q Did you know at that time whether or not this
16 ACS manager was a friend of Lacy Thomas or an acquaintance
17 of Lacy Thomas?

18 A The on-site manager, no, I have no idea. I
19 don't believe he was.

20 It was Bob Mills I believe and he was
21 the vice president. He wasn't on-site. He had a personal
22 connection or had worked with Lacy Thomas in a previous
23 engagement I guess.

24 Q And had the contract been entered into with
25 Bob Mills originally or who would have been the person that

13 1 was actually there doing this contract negotiation?

2 A Bob Mills was the principal person in that
3 contract administration.

4 Q That was the person that Lacy Thomas knew?

5 A Yeah. It's my understanding, yes.

6 Q Now after you were excluded from the contract
7 negotiations of ACS, were there other things after that
8 that you were also excluded from that would normally fall
9 within the purview of your responsibilities?

10 A Generally speaking, as a chief financial
11 officer, you know every contract has financial
12 implications, so generally, you know, I would at least get,
13 have an opportunity to look at the financial implications
14 and make recommendations as far as how it might affect the
15 organization that I represent and to make sure that it was
16 a win/win situation and that no one was taken advantage of
17 in the contract. But I didn't get involved in any of those
18 contracts that were brought in for any of the other
19 services.

20 Q So the Frasier Systems contract with Greg
21 Boone, you were not involved with that?

22 A No. I met with Mr. Boone one time before he
23 was engaged and we had a conversation, I told him a little
24 bit about what we were doing and what we were trying to
25 accomplish, and it was pretty much a get to know you short

13

1 conversation. And I really didn't meet with him after that
2 either.

3 Q Okay. So by the time he -- you say when he
4 was engaged, you mean that's when he signed the contract?

5 A Yeah. I met with him I believe before he
6 signed the contract with UMC, but I never saw the contract
7 nor did he meet with me for any reason after that.

8 Q All right. And the contract with the TBL
9 Construction, you had nothing to do with that?

10 A No, not at all.

11 Q The contract with Crystal Communications, you
12 were not involved with that?

13 A No, I was not.

14 Q How about a contract with Premium Alliance
15 Management LLC?

16 A I don't believe I've ever heard of them
17 before. It may have been after I left the organization so.

18 Q If it was during your time there it was
19 something that you were completely unaware of; is that
20 right?

21 A Yes. The only way I would know anything about
22 it is because of accounts payable and cutting checks and
23 the accounting department, that would be, accounts payable
24 and general accounting still did report to me.

25 Q All right. So speaking generally, the flow of

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1 cash or the flow of money that you would normally oversee
2 was something that you were deprived of accomplishing
3 because you were not in on these contracts that were being
4 signed?

5 A I didn't have an opportunity to affect change.
6 Basically I was just the scorekeeper, you know, the
7 deposits would be made through the business office and then
8 I would see the records of the deposits and then I would
9 see payroll, you know, when the payroll was run or when the
10 accounts payable checks were produced then I would see what
11 payments were being made.

12 Q If Lacy Thomas had not deprived you of that
13 area of responsibility, would you have normally had much
14 greater input into the signing of those contracts and the
15 decision on whether to sign them and the terms thereof by
16 continuing in your former job description?

17 A Yes. I mean that was the practice that I
18 experienced in every other organization that I was at.

14

19 Q What is a PPO contract?

20 A A preferred provider organization contract.
21 It's a quasi-insurance company if you will. What they do
22 is they engage providers to treat customers who buy, you
23 know, whether it's an employer or an individual, who buys
24 insurance through that insurance product.

25 Q Okay. And when you looked at that ACS

14 1 contract that you did get to see initially, did you have a
2 concern over whether or not ACS would be paid to collect
3 bills that they shouldn't, that you didn't think they
4 should be getting credit for? In other words --

5 A Yeah, there were things, for example we had a
6 contract management person who handled those kind of
7 insurance products or contracts with insurance products and
8 we would negotiate rate increases, like annually, you know,
9 we might get on the per diem rates, we might get a five
10 percent increase in the second year and a five percent
11 increase in the third year, and what I had suggested was
12 that we exclude those contractual increases from the
13 calculations because it really wasn't a result of the work
14 product of ACS and so they would be benefiting from
15 negotiations and contract changes that UMC employees
16 negotiated that really didn't have anything to do with ACS.

17 Q So UMC employees working in other departments
18 had already increased the revenue flow coming into UMC by
19 negotiating these PPO contracts for example and so that
20 money was going to come in already without ACS's effort
21 being expended in that regard?

22 A That's correct.

23 Q And ACS under this new contract that you saw
24 was going to actually get paid for collecting that money
25 that had already been collected or arranged to be received

14 1 through other county workers?

2 A Yeah. Well, through UMC workers, yes, and
3 only in those cases obviously where the monthly amount
4 collected exceeded the baseline so.

5 Q Would you meet monthly with George Stevens in
6 your job?

7 A Yes.

8 Q As part of your job did you have occasion to
9 meet with George Stevens?

10 A Yes, we, monthly, we would have a cash meeting
11 monthly and George Stevens and generally Jerry Carroll, the
12 county director of internal audit, would meet with me and
13 my controller to go over our cash projections. We would
14 update our annual projection each month and then we would
15 layout probably about a six week window of how cash
16 requirements would be and we would sit down and talk about,
17 you know, whether or not we could meet our obligations and
18 whether or not we had to extend accounts payable and
19 whether we would ask the county to provide us with some of
20 the, either some of the indigent money from Social Services
21 or part of that subsidy that was set aside in the budget to
22 support UMC. And I think that last year it was maybe
23 fifteen million dollars was the subsidy, but it wasn't a
24 funded subsidy, it was just a balancing item if you will
25 that if we needed extra cash because of the types of

14 1 patients we were seeing or, you know, there was a change in
2 that payer mix, that we would need cash to cover payables
3 and payroll obligations.

4 Q So George Stevens' position at the time when
5 you were meeting with him on a monthly basis, what was his
6 position?

7 A George was the director of finance for the
8 county.

9 Q Now were there times when you would tell
10 George that you had a, George Stevens, that you had a
11 particular cash need and he would be responsible for
12 talking to Lacy Thomas about that cash need or where
13 discussions were held that he would relay to you whether or
14 not you were going to get that cash and what position Lacy
15 Thomas had taken on that issue?

16 That's a poorly asked question, I
17 realize that.

18 A Let me see if I can sort it out.

19 There was an occasion where I was down
20 there meeting with George, and I can't remember the
21 numbers, but I think we had asked for several million
22 dollars to be able to meet obligations over the next four
23 to six weeks, and George said to me kiddingly, he said,
24 well, I don't know why you're asking for money, your boss
25 was down here yesterday and told us that you didn't need

14 1 any cash.

2 Q All right. Now the members of the Grand Jury
3 are instructed that that is a hearsay statement that just
4 came in. George Stevens will be testifying before the
5 Grand Jury eventually so he will make the same statement
6 himself but --

7 A Yeah. And --

8 Q Go ahead.

15 9 A To follow-up on the issue, it was, you know
10 what I said to George was you know you're my banker, since
11 the county handled all of our cash deposits, the county
12 also, you know, cut checks for us or at least backed the
13 checks, he knew exactly how much money UMC had or didn't
14 have, so it wasn't, it wasn't a surprise to him that we
15 were asking for some financial help.

16 Q Okay. And his response to you had been on
17 that occasion, what was his response?

18 A Well, he saw the need. And we were -- they
19 did transfer the money to us so that we could meet our
20 obligations.

21 Q Did you know whether or not that financial
22 need was being communicated to the county by Lacy Thomas
23 when he would go before the county to report on the
24 financial condition of the hospital?

25 A I never accompanied him when he did any

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1 briefings to the county manager or any of the county
2 commissioners so I have no first hand knowledge of whether
3 that information was communicated or not.

4 Q Okay. Were you made to worry about that
5 issue, about whether or not the financial needs of the
6 hospital were being properly communicated to the county?

7 A Well, it was somewhat disconcerting to not
8 have everybody on the same page, because it was fairly
9 clear to me, you know, what the requirements were and what
10 we needed to be able to continue to operate without, you
11 know, jeopardizing the payroll or without extending some of
12 our key vendors into terms of when they got paid. We had
13 worked pretty hard in that year that I was the interim to
14 be able to reduce the number of days outstanding accounts
15 payable, and we got it down to a good number for UMC,
16 probably somewhere in the neighborhood of sixty to
17 sixty-five days average payment from billing to payment.
18 But I was trying to keep it that way and with the
19 understanding that I thought was our direction from the
20 county commissioners and the citizens task force was to run
21 it like a business and, you know, eventually be able to be
22 self-sustaining.

23 Q Now if while you're in this sort of crisis
24 mode where you've got vendors who may cutoff services or
25 products to the hospital, if at that time reports are not

15 1 even being made to the county regarding the financial
2 health of the hospital, would that be a concern to you
3 since the money for UMC is coming from the county?

4 A If I had been there when that had occurred it
5 would have been a big concern for me. But from the time
6 that I took over as the interim CEO and through the two
7 years afterward when I was the CFO, I, almost every month I
8 made a report at the county commission meeting on the
9 financial condition of UMC. I used to do every month at
10 one of the two board meetings, I'd get up there and show
11 them two or three slides that would give them an idea of
12 where we were financially in terms of cash and our profit
13 and loss statements so. But from what I understand, it
14 stopped shortly after I left the organization.

15 Q And you left the organization in January of
16 '06?

17 A That's correct.

18 Q Did you leave in fact on the same day that
19 Blain Claypool left?

20 A Yes.

21 Q Were you asked to resign?

22 A Yes.

23 Q And who asked you to resign?

24 A Mr. Thomas.

25 Q Did he explain to you when he asked you to

15 1 resign why he asked you to resign?

2 A He just said that he wanted to make a change.

3 Q Had you had any conflicts with him prior to
4 that time?

5 A Conflicts, no. A few disagreements or
6 differences of opinion. You know. He had suggested a
7 different treatment of certain expenses on the financial
8 statement, how they were reported, and he and I didn't
9 agree, so I made contact with the public audit firm that
10 was engaged to do our audits and asked them for an opinion
11 and then we got an opinion back from the audit, public
12 auditing firm and then followed their recommendations.

13 Q Did that upset him?

14 A He didn't say anything to me about whether he
15 was upset about it or not.

16 Q Okay. But what caused you to go to the public
17 audit firm in the first place was a disagreement over how
18 to classify expenses?

19 A Well, in my professional opinion it wasn't the
20 best treatment and I was somewhat uncomfortable with doing
21 it that way, that's why I wanted a second opinion.

22 Q Did you consider the way he was suggesting
23 fraudulent or less than honest?

24 A At the time, no. I just didn't think that it
25 was, it would give the reader of the financial statement a

16 1 complete picture of what was going on.

2 Q Okay. So when you were asked to resign, were
3 you in the dark basically about why you were tendering your
4 resignation or did you have an idea of why it was?

5 A Let's put it this way: While I was
6 disappointed I wasn't surprised.

7 Q And you weren't surprised why?

8 A Because I was attempting to keep what was
9 going on at UMC transparent in that I was trying to keep
10 everybody aware of what was going on financially as I
11 described earlier, you know, telling the managers to not
12 order certain things because cash was tight. I was heavily
13 involved in the budgeting process too and I was trying to
14 keep my eye on the goal which I thought, per the
15 instructions of the county commission, was to try to make
16 the hospital self-sustaining and come close to breaking
17 even or certainly minimize the losses.

18 MR. MITCHELL: Okay. Nothing further from me.

19 THE FOREPERSON: Bill.

20 BY A JUROR:

21 Q Yes. You described when you were talking to
22 George Stevens that he made a comment, after your comment
23 he made a comment that the CEO had told the commission that
24 you wouldn't need any money.

25 A I think -- yeah, I think he had told county

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1 management, I don't think he had told the commissioners.

2 Q Okay. So what I'm asking you is was your
3 impression that -- well, what was your impression after
4 hearing that statement? Did you think that the CEO didn't
5 know what was happening or -- what I mean, what was your
6 impression based on Stevens' comment?

7 A Well, I guess I was surprised because the cash
8 reports were also given to Mr. Thomas when we produced them
9 so he had the same document that I was presenting to George
10 Stevens. And I had a pretty high level of confidence that
11 the numbers were accurate, although they're just a
12 projection, it's not like reporting financial statements,
13 it's a projection of what might happen over the next month
14 or six weeks so, you know, it changed, you could change the
15 six week projection almost every day because say we're
16 going to get in a half a million dollars today and four
17 hundred thousand comes in by mail. So you have to adjust
18 almost every day. But, yeah, I didn't know, again I wasn't
19 with him, I didn't know, I just -- I didn't have an
20 impression other than I thought my numbers were good and
21 that's why I said what I said to George.

22 THE FOREPERSON: Gil.

23 BY A JUROR:

24 Q It seems as though you continually ran a cash
25 flow deficit situation. During the period you were interim

16 1 CEO, that apparently was getting under control; is that
2 correct, a correct statement?

3 A Yes.

4 Q When Mr. Thomas came in there was a
5 substantial change in the cash flow deficit situation that
6 continually went on. We realize that UMC continually
7 operates at a deficit situation because you're always
8 approaching the county to underwrite the expenses that you
9 have to pay on a monthly basis. My question is did that
10 increase substantially after Mr. Thomas came on board in
11 your estimation and was that reported to the commissioners
12 as well as to the other members of the management team at
13 UMC?

14 A Yeah. I guess I would characterize the cash
15 flow situation as gradual, you know, it didn't change
16 dramatically over one week or one month, it just kept
17 ramping up. The accounts payable kept getting older, the
18 number of new employees who were brought on kept going up
19 so the payroll kept going up, and to keep -- excuse me --
20 we had to keep asking for help from the county on a more
21 frequent basis and for larger dollar amounts.

22 Q You mentioned that normally your vendor
23 payments, et cetera, ran between sixty and sixty-five days.

24 A I think, again I'm going from memory, it's
25 been almost four years ago now, but it was probably down

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1 close to that.

2 Q Okay. But then was it unusual for vendors to
3 be paid within a week after submitting a bill?

4 A Very.

5 Q Thank you.

6 A Very.

7 THE FOREPERSON: Mr. District Attorney, do you
8 have any follow-up questions?

9 MR. MITCHELL: No, I don't.

10 THE FOREPERSON: No further questions from the
11 Grand Jury.

12 By law these proceedings are secret and
13 you are prohibited from disclosing to anyone anything that
14 has transpired before us, including evidence and statements
15 presented to the Grand Jury, any event occurring or
16 statement made in the presence of the Grand Jury, and
17 information obtained by the Grand Jury.

18 Failure to comply with this admonition
19 is a gross misdemeanor punishable by a year in the Clark
20 County Detention Center and a \$2,000 fine. In addition,
21 you may be held in contempt of court punishable by an
22 additional \$500 fine and 25 days in the Clark County
23 Detention Center.

17

24 Do you understand this admonition?

25 THE WITNESS: Yes, I do.

17

1 THE FOREPERSON: Thank you for your testimony.
2 You are excused.

3 THE WITNESS: Thank you.

4 THE FOREPERSON: Before your next witness
5 we'll take a ten minute break.

6 (Recess.)

7 THE FOREPERSON: We're back on the record.

8 Please raise your right hand.

9 You do solemnly swear that the testimony
10 you are about to give upon the investigation now pending
11 before this Grand Jury shall be the truth, the whole truth,
12 and nothing but the truth, so help you God?

13 MR. FINGER: I do.

14 THE FOREPERSON: Please be seated.

15 You are advised that you are here today
16 to give testimony in the investigation pertaining to the
17 offenses of theft and misconduct of a public officer
18 involving Lacy Thomas.

19 Do you understand this advisement?

20 MR. FINGER: Yes, sir.

21 THE FOREPERSON: Please state your first and
22 last name and spell both for the record.

23 MR. FINGER: Edward Finger. E-d-w-a-r-d,
24 F-i-n-g-e-r.

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25EDWARD FINGER,

having been first duly sworn by the Foreperson of the Grand Jury to tell the truth, the whole truth, and nothing but the truth, testified as follows:

EXAMINATION

BY MR. MITCHELL:

Q Sir, are you presently employed out at UMC?

A I am technically an employee of Clark County. And we do have a difference in organization structure. I do have duties related to the hospital.

Q What is your position with the county?

A I'm the county comptroller.

Q Now in your position did you have dealings or responsibilities that caused you formerly to have meetings with Lacy Thomas or interaction with Lacy Thomas when he was CEO out at UMC?

A Yes, sir.

Q Were you the county comptroller back then too?

A Yes, sir.

Q You've been there how long now?

A I've been the county comptroller since February of 2006. I was employed with the county in the comptroller's office prior to that.

17 1 Q All right. Thank you.

2 In your position as comptroller, not
3 everybody maybe knows exactly what a comptroller does,
4 would you explain that just briefly?

5 A Certainly. The county comptroller's office is
6 charged by statute with financial accounting reporting
7 record keeping. Those functions include accounts payable,
8 they include payroll risk management. Those are the
9 primary functions. The comptroller relevant to this
10 conversation, the comptroller is also charged in Nevada
11 Revised Statute 450, which is specific to hospital and
12 hospital districts, with approving all checks issued by
13 hospitals prior to issuance.

14 Q Now that would include, because of the
15 county's oversight of UMC, watching what checks are being
16 paid for UMC bills as well; is that right?

17 A Yes, sir.

18 Q Now during the time that Lacy Thomas was CEO
19 of UMC, did you have an occasion where you questioned a
20 check that was being prepared to be paid to somebody that
21 was billing UMC?

22 A Yes, on more than one occasion.

23 Q And why did these checks on more than one
24 occasion draw your attention?

25 A There were two catagories of checks that drew

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1 my attention. The first involved the timeliness of
2 payment. During the course of calendar year 2006 which
3 would be late fiscal year, county is on a fiscal year that
4 ends June 30th of 2006 and early fiscal year 2007, the
5 accounts payable in volume at the hospital grew
6 significantly. What that led to was a delay in vendor
7 payment and problems with cash flow. The county frequently
8 was having to give the hospital cash in order to make
9 accounts payable payments and payroll payments and as such
10 our efforts, which were always there, were heightened
11 related to scrutiny of the check runs and we noticed this
12 first category of questioning that you've asked related to
13 timeliness of payment for certain vendors. On average the
14 accounts payable vendors were being paid five to six months
15 after invoice date at the hospital by the time fall, early
16 winter of calendar year 2006 rolled around. However we did
17 notice a few vendors that repetitively were paid very
18 quickly, less than a month, and in most cases just a couple
19 weeks after date of invoice.

20 The second category of questioning
21 involved one vendor in specific that wasn't billing
22 correctly in the large volume, hundreds of thousands of
23 dollars.

24 And so for those two reasons we became
25 involved, more involved with hospital finance staff and

17 1 executive staff related to process of payment.

18 2 Q Very briefly, when a check is sent out to
3 somebody, what is the process that check is going through?
4 Who is deciding to cut the check in the first place and is
5 it your office that is sending the check out or is somebody
6 else sending the check out but they just send it to you
7 first to look at?

8 A Working backwards. The checks are cut out of
9 the county treasurer's office after being sent to the
10 comptroller's office for approval. Out at the hospital
11 what they do is they actually go through a review and
12 approval process. The gist of what I was trying to say is
13 that the hospital receives invoices, the different
14 departments, you know, surgery, whomever, the
15 administrative department in case of many of the invoices
16 that I've referred to here, they do their own reviews and
17 approval, they're sent to accounts payable at the hospital,
18 the hospital actually enters those checks, and that's when
19 they come to us as I was working backward. We review them
20 and approve them or question them and in some cases hold or
21 deny them.

22 Q Okay. So theoretically you should be able as
23 your office is operating to decide not to send a check to
24 somebody that the hospital had already approved?

25 A Absolutely. And that's statutory

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1 authorization.

2 Q Okay. And so on occasion or on more than one
3 occasion your office was looking at something that the
4 hospital had approved and questioning whether or not this
5 check should actually be sent to a particular vendor; is
6 that right?

7 A Yes, sir.

8 Q When you use the word vendor, you're speaking
9 broadly to include not somebody who is supplying the
10 hospital with towels or whatever, but actual maybe
11 consulting services, you would still call that a vendor; is
12 that right?

13 A Yes, sir. Any vendor that would request
14 reimbursement for the provisions of goods or services.

15 Q What was, what were the noteworthy occasions
16 where you questioned the hospital check or a hospital
17 payment that had come through your office?

18 A Okay.

19 Q Under Lacy Thomas.

20 A Okay. I'll speak first to the vendors I
21 categorized that were drawn to attention because of
22 timeliness of payment.

23 It came to our attention, we were
24 reviewing a check run that was probably, this is probably
25 early December of 2006, we noticed that a Crystal

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1 Communications check was -- because the information we have
2 to review the checks include obviously the date of payment
3 as well as the original invoice date, and we certainly were
4 in the habit of seeing check runs as I explained that had
5 large gaps, five, six months on average between the date
6 the vendor requested payment and the date we were actually
7 cutting a check, but this was a fairly decent size check, I
8 don't remember the exact amount, tens of thousands, and it
9 was two weeks after invoice date request of payment. We
10 had a cash flow meeting in mid December, we being myself
11 and George Stevens, at the time the county Chief Financial
12 Officer, with Richard Powell and Floyd Stevens of the
13 hospital. Those two gentlemen respectively are the Chief
14 Financial Officer, were at the time, and the controller of
15 the hospital, and we had these periodic cash flow meetings,
16 they were done as necessary to take a forward look at the
17 upcoming payment events; for the most part payroll
18 occurrences as well as scheduled accounts payment draws, as
19 well as the respective receipt of money patient
20 collectables, receipts from state Medicaid and other major
21 revenue sources, as well as transfers of cash from the
22 county to help fund the planned expenditures.

23 Q Let me stop you there. You're having the
24 meeting in late '06?

25 A Yes. This meeting, and I apologize, I don't

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1 know the specific date other than I did refer to it in
2 subsequent written documentation and I do remember the
3 meeting and the approximate time, but this is mid December
4 '05. '06 I should say.

5 Q So at this time Mike Walsh and Blain Claypool
6 are no longer in their positions at UMC?

7 A That's correct.

8 Q Okay. So the people that are now in those
9 positions are Richard Powell and the other person you named
10 was?

11 A Mr. Floyd Stevens was actually a constant.
12 Mr. Floyd Stevens has been the controller of the hospital I
13 believe from 2004 and is still currently the controller of
14 the hospital. Mr. Walsh who you referred to was previously
15 the chief financial officer of the hospital, he was
16 replaced directly by Richard Powell. Richard Powell
17 replaced Mr. Walsh in the chief financial officer capacity.

18 Q And Richard Powell is a friend of Lacy
19 Thomas'; is that correct, or do you know that?

20 A I have heard that statement. I am aware that
21 their past --

22 Q You don't have personal knowledge?

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23 A I don't have personal knowledge of their
24 friendship. Mr. Blain Claypool was the chief operating
25 officer of the hospital. He was subsequently replaced by

19 1 Merle Hodges. So Floyd was constant, but Richard replaced
 2 Mike in that.

 3 Q All right. So you had this meeting.

 4 A Had this cash flow meeting and that was the
 5 first time I said explicitly to them, gentlemen, we have
 6 some vendors that we're aware of that, after the Crystal
 7 check came in we went and we looked, we ran some reports to
 8 look at timeliness of payment relative to invoice date and
 9 there were three vendors in particular that jumped out at
 10 us, one was Crystal Communications, one was the Frasier
 11 Systems Group, and one was ACS, also known as Superior. So
 12 in that meeting we talked to them, I talked to them about
 13 what's your process. There are a number of things you have
 14 to look at when you're in accounts payable shop and you
 15 don't have enough cash to pay the bills and this is what
 16 the hospital has really always had to deal with to varying
 17 degrees. It's been better at times. It was at its
 18 probably absolute worse in late 2006 when vendors bill you
 19 and you don't pay them on average until six months later.
 20 Understandable you get calls, you get threats to suspend
 21 service or provision of goods, and you have to go through a
 22 process of prioritizing who are we going to pay, all things
 23 equal you kind of pay everybody in line, first in, first
 24 out. But you know that's not the real world, it's not all
 25 things equal. There are some, there is some degree of the

19 1 squeaky wheel gets the grease. There is a determination in
2 terms of business importance; what vendors can we afford to
3 push out longer than other ones. Part of it is a personal
4 business relationship issue, there is a more technical
5 financial evaluation and the hospital participated in and
6 we communicated about it that related to how much does it
7 cost you to float a vendor. Vendors provide discounts in
8 many cases. Delinquency of payment eliminates the
9 opportunity to take that discount. An example is I'll give
10 you the medical supplies, if you pay me in fifteen days
11 I'll give you a two percent discount. That's a discount.
12 Certainly when you pay six months late you lose the
13 discount. Other vendors have explicit financial charges:
14 You pay me in thirty days or you're going to pay me
15 hypothetically one percent a month interest. So there is
16 many things that go into this, you know, many things that
17 are subjective and objective both that go into who do you
18 pay first and when.

19 Q So let me just interrupt you there.

20 So generally what you're communicating
21 in this meeting is that you thought it was financially
22 disadvantageous to the hospital to be paying certain
23 contractees in the order that they were being paid and they
24 were being paid too soon and it was losing the county money
25 to do it that way because other vendors were more important

19 1 and they were being paid farther out; is that --

2 A Exactly. I might recharacterize your words of
3 more important to more costly. That, you know, maybe that
4 dollar that you used to pay that vendor in two weeks would
5 be better used to pay the vendor that has a twelve percent
6 annual interest cost. So that explicit statement was made
7 to them along with the recognition that there are
8 subjective determinations that I described. The only point
9 that I gave them, the direction I gave them was if you're
10 going to show us a check run that has a quick payment in
11 it, prior to doing that tell us it's coming and explain to
12 us why the matter has been prioritized. Well, it didn't
13 happen. And on December 27th of 2006, after having just
14 received another check run from the hospital with a Crystal
15 Communications check in it again, you know, just a couple
16 weeks out from invoice date, I sent Richard e-mail and I
17 carbon copied Lacy on it as well as county staff George
18 Stevens and Virginia Valentine, and same thing I just told
19 you, you know, you're paying somebody quick, we've talked
20 about the process, I asked you to tell me in advance when
21 it was going to happen and explain and you didn't so I'm
22 holding this check.

23 Q Let me stop you.

24 So in your first meeting in, that was
25 earlier than the December meeting, you had laid out these

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1 concerns you had, had you actually requested that they
2 change the order of whom they were paying and that they
3 re-prioritize the payment of those checks?

4 A I would describe it instead as explain, you
5 know, you've got a priority, you the hospital, I would
6 expect all other things equal, when a Crystal check or a
7 Frasier check comes in, that you're paying them months in
8 arrears like everybody else. If you're going to pay them
9 or anybody early pre-emptively, explain to us why,
10 otherwise we'll put it out of the check run and you have to
11 explain to us, you have to justify to us why you're paying
12 vendors early.

13 Q You were putting them on notice?

14 A That's a great way to explain it.

15 Q And you didn't know whether or not of your own
16 knowledge the county was getting any value on these
17 contracts from Crystal and Frasier and ACS, you just knew
18 that what you could see was the payment time line was out
19 of whack?

20 A Yeah. It wasn't a discussion of quality of
21 provision of service, it was a conversation about accounts
22 payable management.

23 Q Okay. So you saw the same thing occur after
24 you had this initial meeting so you sent e-mail in
25 December?

20

1 A Yeah. Sent that e-mail on December 27th, and
2 it had the three points, the first I just explained to you,
3 why are they being paid quickly, the second was that there
4 was a relatively incidental but qualitative problem with
5 it, there were liquor charges in there, in the detail of
6 the bill, there were small liquor charges that Crystal
7 billed for that made it through the hospital review process
8 so I denied obviously the liquor payments. That was
9 against county policy.

10 Q And Crystal Communications was a
11 telecommunications company; is that correct?

12 A Yes. My understanding is that they were hired
13 to provide telecommunications consultation for the new
14 twoer that was being built at the hospital as part of that
15 construction contract.

16 Q And they were billing for liquor that they had
17 purchased?

18 A Parts of it were, they were from out of town,
19 part of it was being reimbursed for travel, travel and
20 meals and coming here and providing that service, being an
21 out-of-town company.

22 Q They were coming from Chicago; is that right?

23 A Yes, sir.

24 Q Were they coming frequently according to their
25 billings if you recall?

20

1 A I don't recall. I don't recall the frequency.
2 That doesn't -- you know, if I were asked to tell you I'd
3 tell you I don't recall frequently, I don't recall it, but
4 I'd have to review bills to answer that question.

5 Q So you questioned this expenditure for liquor,
6 you also questioned the fact that they were being paid so
7 soon. And what was your third concern if you recall?

8 A You know I thought I did a second ago. It was
9 administrative probably I think with approval or something.
10 The two primary ones were timeliness of payment and the
11 liquor one. Those were the two things. And that Crystal
12 bill ended up being pulled, voided and request for, it was
13 requested to be reissued later.

14 About a week after that in, maybe about
15 two weeks after that because it was January the 8th, I got
16 a check, same set of circumstances, this time it was
17 Frasier, again Frasier and Crystal were both explicitly
18 mentioned in the personnel meeting that I had with Richard
19 and Floyd, so I sent e-mail this time to Lacy,, the reason
20 I sent it to Lacy, in talking to Richard and Floyd they
21 disavowed any responsibility for the prioritization. When
22 I went back to them and said here's the story, we're just
23 having the same conversation, I told you in person, I told
24 you in writing, quit sending me the checks, and this is the
25 point of the conversation, quit sending me the checks

20

1 early, they said Lacy approval, Lacy request. So I sent
2 the e-mail to Lacy, and it was the same framework I just
3 gave you, that I've explained this to your staff, I've told
4 them what we're going to do, this isn't a surprise, you've
5 sent me the Frasier check, this one was thirty some odd
6 thousand dollars, they sent me the Frasier check -- I
7 apologize if I said Crystal -- they sent me the Frasier
8 check, it's two weeks after invoice date, tell me why. And
9 he responded in a very timely manner, I think it was the
10 same day.

11 Q His response was?

1

12 A His response was Frasier was a very small
13 company and that he had other vendors like that that needed
14 the cash flow, that they could not afford basically to wait
15 six months to get payment, that he had other vendors like
16 that, he would be glad to explain them to me when they came
17 up again. And that check, ultimately it was held for a
18 brief period of time and ultimately it was released with
19 that justification that again, as I explained to you, my
20 process here was less about telling them how they were
21 going to prioritize, more just explain to me, give me some
22 justification and rationalization, because I do understand
23 in the vendor management it's not just as easy, it's not
24 easy to pay at the exact same period of time. There are
25 vendors that can stand it better, there are vendors that

1 are louder, and there are subjective and objective reasons
2 that we do it. As long as it's thought out and reasoned
3 and explainable and at the time it seemed like a fair
4 enough explanation.

5 Q Did he tell you that the sole employee and
6 owner of Frasier Systems was a personal friend of his?

7 A No.

8 Q Okay. Would that have raised some concerns
9 with you if he had disclosed that to you?

10 A Yes.

11 Q Okay. Would that have made you conclude that
12 the fast payment to Frasier was all the more illegitimate
13 if you had known this was a personal friend of his from
14 Chicago?

15 A Almost certainly. We have statutes, we have
16 business procedures and policy within the county that
17 prohibit the use of any government position for personal
18 gain, whether that personal gain be your own or, you know,
19 persons that you know or can benefit directly and, yes, it
20 would have, that would have warranted further conversation.

21 Q So all he said was, well, this is a small
22 company that needs money badly to keep afloat so we're
23 going to pay them early?

24 A Yes, sir, that was the gist of the statement
25 that he made. Now the last -- the original question

1 regarded checks that were held or questioned by the county
2 comptroller's office. The largest dollar value vendor that
3 we withheld during that period of time, and this
4 conversation started earlier, this conversation started
5 probably in August or September of 2006, and it was ACS,
6 also known as Superior. What happened is that ACS had a
7 contract that originally I think was approved in 2005 and
8 it was amended twice during the course of 2006 and the ACS
9 contract provided that ACS would provide revenue cycle
10 management for the hospital. Revenue cycle management in a
11 nutshell is what you would expect almost from registration
12 at the hospital to accounts receivable, collection, all of
13 the processes related to collecting somebody's name,
14 determining eligibility for Medicare, Medicare, other
15 entitlement programs, county social services payment, all
16 the way to sending of the bill and collection of it.

17 Q We had testimony about ACS already so --

18 A So it came to our attention by way of Bill
19 Andrews, the auditor over at the hospital, that there might
20 be some issue with the method of calculation for the ACS
21 account. So I, the comptroller's office reviewed several
22 bills during the late summer of 2006 related to ACS and
23 ultimately determined that we had made an overpayment on a
24 bill that had just gone out the door to ACS, as well as we
25 were in possession of a bill in excess of four hundred

1 thousand dollars that probably wasn't payable or due at all
2 but it had been billed. I met with the ACS representatives
3 as well as the county staff in early October of 2006, I
4 sent a letter to Richard Powell copying Lacy and other key
5 county staff in early November of 2006, I met with ACS
6 again in late 2006, and all these conversations revolved
7 around the fact that in the county's opinion, in my opinion
8 as the comptroller relying on county district attorney
9 opinion, ACS, who was paid, they had an incentive based
10 contract and the incentive was collect more money than
11 we've been collecting and, you know, we'll pay you, we'll
12 pay you, ACS, for helping us. The disagreement in billing
13 approach in a nutshell revolved around the fact that the
14 county was of the opinion that ACS was taking credit for
15 the efforts of another company, Great Lakes, that the
16 hospital was contracted with, and Great Lakes actually
17 collected in-state and out-of-state Medicaid payments. And
18 ACS in their, when they billed the county, when they billed
19 the hospital, included the revenue collections from these
20 Great Lakes efforts and when they did so it showed that
21 they collected more money than the baseline that had been
22 determined for measurement of payment to them. The county
23 said no, you know, my office said no, per the contract
24 you're not entitled to those revenues in the determination
25 of the baseline achievement. So through the course of

2 1 those meetings, and finally in the form of like I said
2 letters to Richard Powell and Lacy in November of 2006, and
3 ultimately a county commission agenda item in February of
4 2007, my office denied those bills. The total denial, the
5 total billing was approximately 1.1 million dollars from
6 ACS for the period of time from March 2006 to January of
7 2007. I denied eight hundred thousand dollars of the
8 payment approximately and paid two hundred and sixty
9 thousand of it that was justified. So that would be the
10 other significant event that related to request for payment
11 that came from the hospital and from the hospital executive
12 office that were denied by my office.

13 Q So you had made Lacy Thomas aware that ACS was
14 trying to figure their commission on collections done by
15 another company that had already been paid out by the
16 county?

17 A Yes.

18 Q And his response to you when you made him
19 aware of this problem of their double billing if I may
20 refer to it that way, what was his response?

21 A There was no response. The response was that
22 they continued to, in fact after the fact sent another bill
23 requesting reimbursement of payment with Lacy's
24 authorization. His response was none. He --

25 Q So it wasn't just that he failed to act on

2 1 what you had alerted him to, but he had actually authorized
2 2 the continued practice of double billing for ACS?

3 A Yes.

4 Q Going back just for a moment to Frasier. You
5 5 indicated that a payment to Frasier was for multiple tens
6 6 of thousands of dollars, and you didn't remember the exact
7 7 amount, but had you noticed Frasier had accumulated a large
8 8 amount of money in a very short period of time in terms of
9 9 money that had been paid to them?

10 A Yes. Actually I do recall the Frasier check.
11 11 I think it was the Crystal one I had trouble recalling the
12 12 exact amount. The Frasier check I believe was thirty-three
13 13 thousand dollars approximately. And we had paid them over
14 14 the course of the several months preceding that I believe
15 15 approximately a half a million dollars.

16 Q Okay. So in a short period of time, you say
17 17 in a few months, they had received a total of five hundred
18 18 thousand dollars or more through these quick payments?

19 A That's my recollection, yes.

20 Q And you've already testified that you didn't
21 21 know whether or not they were providing any product for
22 22 that or anything deliverable to the county, but you do know
23 23 that other vendors that were waiting up to six months were
24 24 providing essential services that allowed the hospital to
25 25 actually run; is that correct?

2

1 A Yes.

2 Q And the hospital was risking losing those
3 services or products from those vendors by not paying them
4 on time; is that also fair to say?

5 A That is correct.

6 Q How did this problem resolve with Lacy Thomas
7 ignoring your alerts to this double billing by ACS; did it
8 ever stop until he was fired?

9 A No.

10 MR. MITCHELL: Okay. I have no further
11 questions.

12 THE FOREPERSON: Gil.

13 BY A JUROR:

14 Q You mention the issue of discounted invoices
15 which is a normal business practice. Were any of the
16 contracts in question, did they contain a discount invoice
17 clause?

18 A I don't recall that there was any discount
19 made with contracts that would have provided financial
20 argument for more timely payment.

21 Q For a timely payment --

22 MR. MITCHELL: And let's clarify your
23 question. You're talking about any of the contracts
24 including ACS, Crystal and Frasier?

25 A JUROR: That's correct.

MR. MITCHELL: Okay.

BY A JUROR:

Q Were Thomas and the management of UMC at that time aware of the discount opportunity costs that were being sacrificed as a result of early payment of these other invoices?

MR. MITCHELL: If you know.

THE WITNESS: Well, I do have an answer. I can't speak to Lacy's knowledge of it specifically prior to the conversations. I do know that Lacy Thomas, who held himself out to be a C.P.A., and although technically I don't believe was a C.P.A. at the time, was a C.P.A. previously in his career. With that designation I would expect some reasonable understanding of the financial process including the fact that he was a financial manager in his past career as his resume demonstrated. In the meetings in person and in writing, the ones I've explained to you that occurred during the months in late 2006, I did discuss the process with Richard and Floyd to answer your question, and the two e-mails, one sent directly to Lacy, the other Lacy was copied on, did speak to that fact that here's a general process that you guys ought to be going through that involves, you know, how we're going to prioritize payment. So it's hard for me to say because as I've explained to you I interacted with Lacy primarily via

3 1 e-mails and letters and instead interacted with his
2 financial staff more. But I do know from having met with
3 them that they understood the process and they understood
4 the implication of the position of vendor prioritization
5 related to either lost income or the occurrence of finance
6 and interest charges.

7 Q Thank you.

8 BY MR. MITCHELL:

9 Q If you're unable to speak to what he did or
10 didn't know, it would kind of hinge of whether or not he
11 paid any attention to your e-mails, but you did set forth
12 that information in your e-mails?

13 A It was set forth. It wasn't, I mean -- yeah.
14 I'll just leave it at that. It was written summarily, it
15 wasn't written with great explanation.

16 Q And if you had communicated it specifically to
17 his chief financial officer, it would only be because he
18 paid no attention or the chief financial officer didn't
19 convey that to Lacy, that it wasn't explained more fully;
20 correct? The person he put in charge of finance for the
21 hospital was the one you were dealing with directly; is
22 that right?

23 A That's correct.

24 Q That was Richard Powell?

25 A Yes, sir.

3 1 THE FOREPERSON: Bill.

2 BY A JUROR:

3 Q So did you happen to bring a copy of the
4 e-mail or any of the e-mails you sent?

5 A I have available to me all of the copies.

6 Q Here today?

7 MR. MITCHELL: Go ahead and answer.

8 THE WITNESS: Yes. Not in the room but I do
9 believe I have --

10 A JUROR: Well, I was just --

11 BY MR. MITCHELL:

12 Q If the Grand Jury wanted to read your e-mails
13 you would be able to produce those?

14 A Of course.

15 A JUROR: I just, I just wanted to know, you
16 know, what exactly what was said in the e-mails.

17 THE WITNESS: Sure. I'd be glad to. And if
18 you wanted them I do have them in the other room in my bag.

19 THE FOREPERSON: No further questions from the
20 Grand Jury.

21 By law these proceedings are secret and
22 you are prohibited from disclosing to anyone anything that
23 has transpired before us, including evidence and statements
24 presented to the Grand Jury, any event occurring or
25 statement made in the presence of the Grand Jury, and

3 1 information obtained by the Grand Jury.

2 Failure to comply with this admonition
3 is a gross misdemeanor punishable by a year in the Clark
4 County Detention Center and a \$2,000 fine. In addition,
5 you may be held in contempt of court punishable by an
6 additional \$500 fine and 25 days in the Clark County
7 Detention Center.

8 Do you understand this admonition?

9 THE WITNESS: Yes, sir.

10 THE FOREPERSON: Thank you for your testimony.
11 You are excused.

12 THE WITNESS: Thank you.

13 MR. MITCHELL: Mr. Chairman, I think I'm going
14 to recall Ed for just one question so he can authenticate
15 the specific e-mails he's going to have copied so we can
16 make it a matter of record which ones will be provided to
17 you.

18

19 EDWARD FINGER,

20 having been previously duly sworn by the Foreperson of the
21 Grand Jury to tell the truth, the whole truth, and nothing
22 but the truth, testified as follows:

23

24 THE FOREPERSON: You are reminded you are
25 still under oath.

FURTHER EXAMINATION

BY MR. MITCHELL:

Q Sir, you've indicated you brought with you some e-mails. Are the ones that you are about to provide to Melissa Wright of the District Attorney's Office the ones you were referring to?

A Yes, sir, they are.

Q Okay. So you will only provide to her those things that you've already described before the Grand Jury; is that right?

A Yes.

Q All right. And will the e-mails be self-authenticating? Will we be able to look at the e-mail and tell who it is from and who it is to?

A Yes.

Q All right. Thank you.

THE FOREPERSON: The witness is reminded of the secrecy of the admonition. Thank you. You are excused.

THE WITNESS: Thank you.

THE FOREPERSON: Please raise your right hand.

You do solemnly swear that the testimony you are about to give upon the investigation now pending before this Grand Jury shall be the truth, the whole truth,

3 1 and nothing but the truth, so help you God?

2 MR. MYERS: I affirm.

3 THE FOREPERSON: Be seated.

4 You are advised that you are here today
5 to give testimony in the investigation pertaining to the
6 offenses of theft and misconduct of a public officer
7 involving Lacy Thomas.

8 Do you understand this advisement?

9 MR. MYERS: Yes, I do.

10 THE FOREPERSON: Please state your first and
11 last name and spell both for the record.

12 MR. MYERS: I use the first initial H, Lee
13 middle name, L-e-e, Myers, M-y-e-r-s.

14
15 H. LEE MYERS,
16 having been first duly sworn by the Foreperson of the Grand
17 Jury to tell the truth, the whole truth, and nothing but
18 the truth, testified as follows:

19
20 EXAMINATION

21
22 BY MR. MITCHELL:

23 Q Sir, are you employed at UMC?

24 A I am.

25 Q Were you employed at UMC during the time that

3 1 Lacy Thomas was CEO out there?

2 A I was.

3 Q What was your position during that time when
4 he was there?

4 A I'm the support services manager.

6 Q Do you hold that position still?

7 A I still hold it, yes.

8 Q Does that involve bill collection?

9 A Bill collections, providing the oversight for
10 the collection agencies, legal as it pertains to probates,
11 third party liability, et cetera.

12 Q Okay. When you mention the agencies that also
13 help with bill collections, is that because UMC has on
14 occasion hired people to help them collect bills?

15 A That's correct.

16 Q So when they get hired you then have some
17 overseeing responsibilities over them too even though they
18 are not county employees themselves?

19 A That is correct.

20 Q All right. In your job were you aware when a
21 company called ACS was hired to help UMC collect bills?

22 A Yes.

23 Q Did you then have the responsibility of
24 working with ACS personnel regarding how they were
25 collecting those bills for the hospital?

4 1 A I had some interface with ACS regarding that.
2 When you're speaking of collecting bills, you know, there
3 is two sides of it, there is a collection of insurance
4 claims and then there is a collection of self-pay. I
5 primarily was self-pay.

6 Q Okay. Did you have some oversight over the
7 contract with ACS itself and how that was supposed to be
8 administered?

9 A I have no responsibility in that area.

10 Q Okay. Did you have general knowledge of that
11 contract or did you know what the provisions of the
12 contract were with ACS?

13 A Only what ACS relayed to the managers in
14 patient accounting as to what the provisions were.

15 Q Okay. Now did you become aware, were you told
16 by somebody when a contract was arranged with a company
17 called Orion whereby Orion was buying the right to collect
18 all the bad debt that UMC had?

19 A I was aware of that, yes.

20 Q And who told you that that had happened?

21 A Actually it started in January or February of
22 '06 when there was inquiry made by ACS to our IS department
23 to provide them with a listing of bad debt accounts that
24 were assigned to a collection agency prior to December of
25 '03.

4

1 Q Okay. So before ACS came on board UMC had
2 already hired some other collection agency to collect on
3 the bad debts?

4 A That's correct.

5 Q So had this company that was already in place
6 been replaced by ACS or was ACS supplementing what was
7 already hired out to be done?

8 A The purpose was to obtain the or to have the
9 agencies return those accounts of prior to December of '03
10 and return them to the hospital for the purpose of selling
11 those receivables to the highest bidder.

12 Q So the prior agency was supposed to just give
13 up on those ones that were prior to December of '03 and let
14 this new company Orion take that over?

15 A That was the expectation, yes.

16 Q That was all stuff that was conveyed to you,
17 information that was given to you?

18 A That's correct.

19 Q All right. Now what were you supposed to do?
20 Why were they telling you this? What were you expected to
21 do?

22 A I was involved because of my affiliation with
23 the agencies. I had to first of all define the parameters
24 of the accounts to be returned. I had to have the agencies
25 provide me with updates in respect to the collection

4 1 activity, whether they had a pay arrangement, a judgment,
2 2 paid in full, settled. Perhaps we didn't, hadn't
3 3 acknowledged that on our side. So my involvement for about
4 4 sixty days was trying to gather that information to make
5 5 sure that the accounts that were being sold were in fact
6 6 legitimate debt.

7 Q So in other words it was very important in
8 8 defining what bad debt actually was because there was a
9 9 possibility it had already been collected and determined to
10 10 be good debt or collectible debt; is that right?

11 A That's correct.

12 Q And if good debt was sold to Orion then they
13 13 would be receiving credit for collecting something that had
14 14 already been collected or arranged to be collected by the
15 15 county's efforts on their own or through this prior
16 16 company; is that correct?

17 A Arranged to be collected. It was not our
18 18 purpose to sell any account that was already paid. But it
19 19 did happen because one of the agencies were not forthcoming
20 20 with the status in a timely manner so I wasn't able to
5 21 rectify a little over a third of the accounts.

22 Q So the county has numerous ways of collecting
23 23 bad debt; is that right?

24 A Correct.

25 Q And one way is to sue somebody with a lawsuit

5 1 for the owed money. Had UMC tried that on various
2 accounts?

3 A We do not participate in direct lawsuits. We
4 turn the accounts over to a collection agency and when they
5 find an asset or an unwilling payer and an asset, that
6 would offset the debt. They request authorization from UMC
7 to file suit.

8 Q But that is a method that is used?

9 A That's correct.

10 Q Ultimately to collect some debt, correct?

11 A Correct.

12 Q Is another method that is used to place a lien
13 on a debtor's property?

14 A Yes, UMC does place hospital liens on debtors'
15 properties.

16 Q Okay. And to generalize, there are various
17 methods used to collect that debt and sometimes or often
18 they are successful; would that be true?

19 A That's correct.

20 Q Now as you were tasked with going over these
21 debts that were all in the process of being attempted to be
22 collected on, were you able to determine that some of
23 those, or a good number, a significant number of those
24 debts should not be sold to Orion?

25 A Yes, I was able to determine that there was

5

1 quite a number of accounts that were on payment
2 arrangements or the agencies had obtained a judgment on
3 behalf of University Medical Center.

4 Q Okay. You indicated that ultimately though
5 Orion was sold the right to collect on those debts as well?

6 A That's correct.

7 Q And that was over your objection or --

8 A I did object, yes.

9 Q Okay. To whom did you voice your objections?

10 A Well, initially it was in the prebid
11 conference. Those questions came up by the potential
12 bidders, I don't recall which one specifically, but they
13 asked about the accounts that had a pay arrangement with
14 the current collection agencies or if the current
15 collection agencies had judgments. The question was asked
16 and I responded to those questions stating that those
17 accounts would not be sold, they would remain with the
18 collection agency, and subsequent to that there was an
19 addendum put out to the request for a bid proposal stating
20 that.

21 Q Okay. When these things were stated to you or
22 communicated to you, who were they communicated by?

23 A The request regarding whether or not the
24 agencies would be able to keep their pay --

25 Q Well, yes. Whether Orion should be able to

5 1 receive financial percentage reimbursements on debt that
2 2 was already being collected by other agencies.

3 A At this point Orion wasn't involved at all,
4 4 Orion wasn't represented at that prebid conference. The
5 5 one agency that I know who, that I can tell you for sure
6 6 was Allied, and there was another, I believe there was
7 7 another one of our current collection agencies. The other
8 8 representations were from companies that I was not familiar
9 9 with that had no affiliation with UMC.

10 Q So was there somebody there at this meeting
11 11 from ACS saying yes, we should include this?

12 A The principal salesperson for ACS Bob Mills
13 13 was at that meeting.

14 Q Okay. Was Lacy Thomas at the meeting?

15 A I don't recall that he was. And I don't
16 16 believe that Mr. Mills made any response to that request.
17 17 I was the one that responded to that question.

18 Q And how did you respond?

19 A I responded that the accounts that the
20 20 agencies currently had pay arrangements on or judgments
21 21 would not be part of the sale.

22 Q So you were protecting the contractual
23 23 agreement that was already in place with these other
24 24 agencies?

25 A That's correct.

1 **IN THE SUPREME COURT OF THE STATE OF NEVADA**

2
3
4 **Electronically Filed**
 Aug 29 2011 04:32 p.m.
 Tracie K. Lindeman

5 THE STATE OF NEVADA,

6 Appellant,

7 v.

8 LACY THOMAS,

9 Respondent.

Case No. 8838
Clerk of Supreme Court

10
11 **APPELLANT'S APPENDIX**
12 **Vol. I**

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CERTIFICATE OF SERVICE

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EIGHTH JUDICIAL DISTRICT COURT

FILED

CLARK COUNTY, NEVADA

ORIGINAL

FEB 21 8 15 AM '08

BEFORE THE GRAND JURY IMPANELED BY THE AFORESAID
CLERK OF THE COURT
DISTRICT COURT

THE STATE OF NEVADA,

Plaintiff,

-vs-

LACY L. THOMAS,

Defendant.

C241569
Case No. 07AGJ094A

Taken at Las Vegas, Nevada

Tuesday, January 15, 2008

1:19 p.m.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

VOLUME 1

Reported by: Danette L. Antonacci, C.C.R. No. 222

CE15

10 1 GRAND JURORS PRESENT ON JANUARY 15, 2008:

2

3

JOHN WHESDOS, Foreman

4

GILBERT EISNER, Deputy Foreman

5

RANAE WESTON, Secretary

6

WILLIAM BRZEZINSKI

7

RICHARD CASE

8

GARY CUTLER

9

FELICIDAD GEAGA

10

KATHY GAINES

11

DOUGLAS JONES

12

PAT LOPES

13

AMELIA MAALOUF

14

JAMES MCHUGH

15

DANIEL NICK

16

KURT NICOLA

17

KENT WILLIAMS

18

19

Also present at the request of the Grand Jury:
20 Scott Mitchell,
Chief Deputy District Attorney

21

22

Melissa Wright,
Forensic Legal Auditor, District Attorney's Office

23

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10 1 LAS VEGAS, NEVADA, TUESDAY, JANUARY 15, 2008

2 * * * * *

3
4 DANETTE L. ANTONACCI,

5 having been first duly sworn to faithfully
6 and accurately transcribe the following
7 proceedings to the best of her ability.
8

9 MR. MITCHELL: Ladies and gentlemen, my name
10 is Scott Michell, Chief Deputy District Attorney. If you
11 look at your proposed Indictment, we have two charges, two
12 different kind of charges, ten charges total. First five
13 are the same charge and the second five are the same
14 charge. The first five charges, alleges a theft, and I
15 don't know what your experience is with theft cases, but
16 there are many different kinds of theft cases within Nevada
17 law and the first, or the kind of theft that we are
18 proceeding under the theory of during this presentment is
19 the kind that is like an embezzlement. Just about any kind
20 of stealing constitutes some form of theft, but this is the
21 embezzlement type where the legal theory is that you have
22 funds that you are entrusted with or property, in this case
23 it's going to be funds belonging to UMC, but the theory is
24 that these funds are entrusted to you and you use them, and
25 I will quote from the statute here, this is NRS 205.0832,

10

1 somebody is guilty of theft under this theory if they use
2 the service or property of another person entrusted to
3 them, or him in this case, or placed in his possession for
4 a limited, authorized period or determined or prescribed
5 duration, or for a limited use, and they use that property
6 outside the scope of that authority.

7 So something is entrusted to them, they
8 are authorized to use it only for prescribed purposes and
9 they step outside those prescribed purposes and use this
10 property for other purposes than what it was entrusted for.
11 So that is the theory behind this kind of theft.

12 And then the other statute that is
13 listed there on your Indictment is the statute that makes
14 it a felony of course.

15 Does anybody have any questions on the
16 legal instruction regarding theft before I move onto the
17 other definition?

18 THE FOREPERSON: There are no questions.

19 MR. MITCHELL: Thank you.

20 Now misconduct of a public officer,
21 again there are different ways that you can commit this
22 crime, but the theory we're proceeding under today is that
23 a person who uses money under his official control or
24 direction or in his official custody, for the private
25 benefit or gain of himself or another. And you'll note

10 1 that Counts 6 through 10 refer back to Counts 1 through 5.
2 2 So Count 1 corresponds with Count 6, the same facts are
3 3 alleged for Counts 1 and 6; for Count 2 and 7 and so forth.
4 4 So you have to be a public officer and you have to use
5 5 property that is under your official control as a public
6 6 officer for private gain, either your own or somebody
7 7 else's, and not for the public purpose but for your own
8 8 private purpose or for somebody else's private purpose or
9 9 benefit or gain I should say. For the private benefit or
10 10 gain of yourself or somebody else.

11 Any other questions on that?

12 Yes.

13 A JUROR: That applies to tangible assets such
14 as cash or services, but does it also apply to information?

15 MR. MITCHELL: It doesn't apply to
16 information. It does apply to services or property, in
17 this case it's money, and it will only be money that we'll
18 be dealing with in this case.

19 A JUROR: Thank you.

20 THE FOREPERSON: No further questions.

21 MR. MITCHELL: All right. Our first witness
22 is Mr. Jeremiah Carroll.

23 Would you state your full name for the
24 record, sir.

25 THE FOREPERSON: Excuse me. I have to swear

10 1 him in.

2 MR. MITCHELL: Do you do that after the name
3 or before?

4 THE FOREPERSON: Please raise your right hand.
5 You do solemnly swear that the testimony
6 that you are about to give upon the investigation now
7 pending before this Grand Jury shall be the truth, the
8 whole truth, and nothing but the truth, so help you God?

9 MR. CARROLL: I do.

10 THE FOREPERSON: You are advised that you are
11 here today to give testimony in the investigation
12 pertaining to the offenses of theft and misconduct of a
13 public officer involving Lacy L. Thomas.

14 Do you understand this advisement?

15 MR. CARROLL: Yes.

16 THE FOREPERSON: Please state your first and
17 last name and spell both for the record.

18 MR. CARROLL: Jeremiah Carroll. My first name
19 is spelled J-e-r-e-m-i-a-h, my last name is Carroll,
20 C-a-r-r-o-l-l, the Second.

21 THE FOREPERSON: Proceed.

22 JEREMIAH CARROLL, II,
23 having been first duly sworn by the Foreperson of the Grand
24 Jury to tell the truth, the whole truth, and nothing but
25 the truth, testified as follows:

11

1

EXAMINATION

2

3

BY MR. MITCHELL:

4

Q Sir, how are you employed?

5

A I'm employed by Clark County. I'm the Clark County audit director.

7

Q In your position with the county what do you do as the audit director?

9

A We do, our department does a number of audits; we do financial performance, IT audits, we audit University Medical Center, we audit McCarran Airport, we audit Metropolitan Police Department, the courts, elected officials, anybody who is appointed, department heads, we audit all those departments and agencies.

15

Q And very generally, the process of doing an audit involves making sure that the money is being spent the way it's supposed to be?

18

A That's correct, that is one of the objectives, and seeing that somebody's performance is in accordance with how it's supposed to be too.

21

Q Okay. Are you sometimes playing the role of an investigator in your role as an auditor?

23

A Yes, we do. We've done investigations in the past as part of our duties.

25

Q And the money that you're concerned with as a

11 1 county employee is all taxpayer raised money; is that
 2 correct?

 3 A Yes, it is.

 4 Q Okay. So you are sort of a watchdog that
 5 makes sure that the taxpayer money that comes into the
 6 county is being spent appropriately and the other things
 7 that you described; is that right?

 8 A That's correct. We have an ordinance that was
 9 passed by the county commissioners and it gives us
 10 guidelines and we generally have access to all information
 11 within the county to be able to do audits and
 12 investigations.

 13 Q Okay. Now you mentioned that one of the
 14 agencies that you have oversight over is UMC, University
 15 Medical Center; is that right?

 16 A That's correct.

 17 Q Now did there come a time in your job where
 18 you had occasion to investigate the expenditures at UMC
 19 under the direction of Lacy Thomas?

 20 A Yes. We actually, I have several, group of
 21 auditors that worked at UMC and we continually do audits at
 22 University Medical Center.

 23 Q Okay. Did you initiate an audit because of
 24 things that you found suspicious sometime in the last few
 25 years involving the expenditures under Lacy Thomas?

11

1 A Yes. We found, there was some information
2 that was given to me that caused me to talk to the county
3 manager and to get agreement that this was an area, there
4 was an area that needed to be audited.

5 Q Okay. So when did you launch this audit?

6 A It was launched sometime towards the end of
7 calendar year 2005.

8 Q All right. And did you use other people under
9 your direction in conducting the audit?

10 A Yes. The audit was on a company called ACS
11 and there was a couple phases to it. There was a first
12 phase where we were trying to get an idea of how the
13 company was performing. There was another, the other phase
14 was to look at the terms of the agreement. So there was
15 people that looked at the terms of the agreement from
16 the -- I have like a couple offices, one on the county
17 side, one on UMC. The terms of the agreement were looked
18 at from some of the people on the county side and then the
19 rest of it was audited by other individuals on the
20 hospital, employed by the hospital but working for me.

21 Q Now this ACS, is it true that ACS had a
22 contract with UMC to provide some sort of service to UMC?

23 A Yes.

24 Q And that service that ACS had with UMC was to
25 collect accounts receiveable, debts owed to the hospital;

11

1 is that right?

2 A That was one of the obligations under the
3 contract.

4 Q Okay. Now this contract that ACS had with the
5 hospital, when was it entered into with the hospital?

6 A It was entered into, there is a date, actually
7 two different dates, there is the date of the signature of
8 the contract I believe in May, but I think that the board
9 approved that contract, actually it was, approval date was
10 June 7, 2005, so it was entered the end of May, beginning
11 of June.

12 Q Okay. And the fiscal year begins on July 1st;
13 is that right?

14 A That's correct. Fiscal years go from July to
15 the end of June.

16 Q All right. So did this contract actually
17 start to kick in and actually start working as of July 1st,
18 2005?

19 A Actually it started in June.

20 Q Okay. So ACS began immediately to collect
21 money that was due UMC in June of '05?

22 A Correct.

23 Q All right. Now let me ask you this.

12

24 A It probably took a little bit of time to start
25 up but generally, yes.

12

1 Q Okay. Now at the time that UMC entered into a
2 contract with ACS, did the county already have, or did UMC
3 already have a mechanism for collecting bills, accounts
4 receiveable?

5 A Yes, they did. They had an individual that
6 was, oversaw the billing office, and we're quite capable of
7 collecting bills.

8 Q Did UMC have their own bill collection office
9 or was that a county office?

10 A No, UMC had their own collection office.

11 Q Okay. And at the time that ACS took this
12 contract to do what a county agency was already doing, had
13 the county agents or the UMC office involved in bill
14 collecting already tried to improve their performance in
15 that regard?

16 A Well, I'm not sure I could answer that
17 question.

18 Q Okay. Let me say it a different way. See if
19 you can answer this question.

20 A Okay.

21 Q Were you aware of whether or not Deloitte and
22 Touche had been hired to make recommendations regarding how
23 the accounts receiveable could be better collected for
24 UMC's benefit?

25 A Yes, Deloitte and Touche was hired by the

12 1 commissioners to look at UMC, to look, specifically look at
2 the whole revenue cycle which would include the billing
3 offices. So there was a number of recommendations made by
4 Deloitte and Touche with regard to the billing office.

5 Q And Deloitte and Touche is a nationally
6 recognized accounting firm; is that right?

7 A Yes, it is.

8 Q And this had happened before ACS was brought
9 in by UMC; is that correct?

10 A That's correct.

11 Q And Deloitte and Touche had made
12 recommendations to UMC on how to improve and had UMC
13 actually started to implement those suggestions?

14 A Some of them were implemented, yes.

15 Q So when you became aware that UMC had entered
16 into a contract with ACS, did you set about as one of your
17 duties under this audit to determine whether or not it was
18 more efficient than the mechanism that the county already
19 had in place?

20 A Not initially.

21 Q Did you eventually do that?

22 A Yes, I did.

23 Q I'll come back to that then.

24 A Okay.

25 Q So did you form an opinion about whether or

12 1 not it was necessary to hire ACS at all?

2 A Not through an audit process. My opinion at
3 that time was neutral. I didn't get into the management
4 decisions as to whether they needed them or not. I know
5 that there was an audit done by Deloitte and Touche, I know
6 they were implementing things. Whether they needed this
7 company or not, it's not, I was pretty neutral on it I
8 believe.

9 Q Did you eventually form an opinion as to
10 whether or not --

11 A Yes.

12 Q -- as to whether the county had done well in
13 hiring ACS to collect bills?

14 A I did form an opinion.

15 Q What was the opinion that you reached?

16 A My opinion was that I didn't think they needed
17 to hire the company later on. The reason I reached that
18 opinion was because we did perform an audit and we found
19 that they were not collecting any additional money. As a
20 matter of fact they were collecting less money.

21 Q So to summarize this little aspect, the county
22 already is collecting money at UMC through their own office
23 and then they hire an outside agency to do the very same
24 thing that taxpayer dollars are already paying for?

25 A Right.

12

1 Q Now with respect to that contract itself, you
2 mentioned already that you wanted to review whether the
3 contract itself was favorable to the county or favorable to
4 UMC and in that way you mean what? What would be a
5 characteristic if it were favorable?

6 A Actually if I could I'd like to be able to
7 explain. There was a document that was sent to me, it was
8 given to me by somebody over at UMC, I'm not sure who it
9 was, but it really raised some questions in my mind about
10 the audit. And there was a series of meetings regarding
11 this document. It was a document that was submitted or I
12 mean agreed to by Lacy Thomas and ACS and I didn't think it
13 was a legal document.

14 Q Okay.

15 A And that's what started the audit really.

16 Q Did you talk to Lacy Thomas about this?

17 A I did talk to Lacy Thomas about it.

13

18 Q And Lacy Thomas was at the time the chief
19 executive officer at UMC; is that correct?

20 A That's correct.

21 Q So he was the one who had the authority to
22 determine whether or not to hire ACS and enter into a
23 contract with them?

24 A That's correct.

25 Q All right. And the document that caused you

13 1 to ask this question about whether or not this contract was
2 favorable, you didn't know if what it said was true or not
3 at the time that you received it, right?

4 A Correct.

5 Q So did you go to Lacy Thomas and ask him is
6 what this document says true?

7 A Actually when I first looked at it I didn't
8 even know what it meant. It wasn't very clear as to
9 exactly what it was trying to do. So I had one of my
10 auditors check on it, and there was what they call provider
11 code numbers, that they wanted to include additional
12 revenue for this company into the contract. And it was
13 Clark County Social Service money which was not, it was
14 actually very distinctly precluded from being in the
15 contract. But this administrative clarification to the
16 agreement was signed and I felt it was a material change to
17 the contract and so I went to the civil District
18 Attorney's Office and asked them about it, and I said this
19 is an additional forty-eight to forty-nine million dollars
20 that is going to be coming in that's going to be included
21 under this contract that was never intended to be in the
22 contract and it explicitly says in the contract with ACS
23 that it was going to be excluded, so that would be a
24 material change, in my opinion that was a material change
25 to the contract.

13

1 Q All right. Now I'm going to back you up a
2 little bit and I'm going to get you to explain what this
3 contract was about and how it worked.

4 A Okay.

5 Q But your purpose in looking at the contract is
6 to make sure that the county is not paying too much money
7 under that contract or more than they should be; is that
8 right?

9 A My duty under the, I felt that my duty at the
10 time was to not only look at the amount that was paid under
11 the contract but whether the terms of the contract were
12 very good.

13 Q Okay. So when you first launched your
14 investigation and you looked at the contract itself that
15 Lacy Thomas had entered into with ACS, what were the first
16 things that caught your eye about that contract that you
17 thought were unusual if there were any?

18 A The first things were -- well, besides trying
19 to include this money in there, there was -- what
20 happens -- I think I need to explain how the contract
21 worked.

22 Q Go ahead.

23 A The contract was supposed to be, there was a
24 payment that was going to be made to ACS if they exceeded a
25 certain amount of money, a monthly amount of money.

13 1 Q You mean if they collected that much?

2 A If they collected over that amount they would
3 get a percentage of the excess over that amount. So --

4 Q The initial contract provided for twenty-nine
5 million dollars?

6 A Twenty-nine million dollars. And it was they
7 would get twenty-five percent that was over the twenty-nine
8 million on a monthly basis. And so when we looked at that,
9 what happens with revenues at UMC is they have peaks and
10 valleys, so you may be expecting to receive a Medicaid
11 payment say for example one month, but it doesn't come in
12 until the next month when a lot of other revenue came in.
13 So you could have, what could happen is you could be under
14 this twenty-nine million for long periods of time but then
15 you have this one spike and all of a sudden you're making a
16 payment now even though they're not really improving the
17 revenue stream which was one of their obligations.

18 Q So let's give a hypothetical. Let's say that
19 they are collecting money from their patients that owe them
20 money and from the governmental entities that send them
21 money to help subsidize the hospital, and let's say that
22 under this contract with this baseline of twenty-nine
23 million dollars, in month one they collect twenty-seven
24 million dollars, under the contract would they get any
25 percentage of any of that?

13 1 A No, they would not get paid.

2 Q And let's say in months two and three they're
3 still under twenty-nine million dollars, let's say in month
4 four for example they collect thirty-five million dollars,
5 you're saying that they would then get a twenty-five
6 percent share of the difference between thirty-five million
7 and twenty-nine million?

8 A That's correct.

9 Q So they would make a million and a half
10 dollars in that one month just based on their collections,
11 correct?

12 A Correct.

13 Q Even though over the four months --

14 A We could have been doing terribly all the
15 other months, but because the money came in that particular
16 month they would get paid.

17 Q So they would not be penalized for collecting
18 under the baseline during the months that they were low?

19 A That's correct.

20 Q Was there any flat fee that they were going to
21 get paid no matter what they did, or initially when this
22 contract was first signed did they have to have an overage
23 or be over that baseline to get paid anything?

24 A When the initial contract was signed they had
25 to be over twenty-nine million. There was no other payment

14

1 to them besides that.

2 Q Okay. Are you aware of what kind of setup
3 they had with personnel, I mean how many people did they
4 have working on this?

5 A You know we tried to check into that. It
6 wasn't, it was very difficult because they said, well, we
7 have about twelve to thirteen people, but all of the people
8 weren't working at one time. And I kind of got the gist
9 that it was probably about six full time people.

10 Q Okay. And so when you saw that they had this
11 baseline arrangement and there were great big spikes that
12 could result in them making a lot of money even though they
13 were doing a poor job in other months, did you think that
14 was favorable to UMC?

15 A No.

16 Q Or against UMC?

17 A It was against UMC's interest. And I don't
18 know at some point if you wanted me to go through this
19 Power Point presentation that I have in there, it shows you
20 that there is a difference, between one and three million
21 dollars difference in how that, if you were to look at
22 collections and things like that, it was more favorable to
23 the company to have those spikes than to have a rolling
24 average.

25 Going back to your original question,

14 1 there were a couple other things in the contract that we
2 2 noticed that were not very favorable. There was a three
3 3 year contract but there was no real true clause to
4 4 terminate it. It was almost impossible to get out of the
5 5 contract.

6 Q Okay. And did you find that unusual that
7 7 there was no way out?

8 A Yes, I did.

9 Q Okay. So what you're saying is if UMC had
10 10 hired this company to collect bills and they determined
11 11 they're doing a terrible job, they're doing much less than
12 12 the county was already doing on its own, there was no way
13 13 for them to break the contract under the language that was
14 14 in it?

15 A That's correct.

16 Q And you say they had to wait three years at
17 17 least; is that right?

18 A Right.

19 Q And could they easily get out after three
20 20 years or was that even difficult after three years?

21 A You know I don't think the contract was very
22 22 clear. I think they could get out after three years, that
23 23 was my opinion. The other way that they could get out is
24 24 in the initial contract if their excess revenue, the amount
25 25 of money that was over the twenty-nine million, if that

14 1 totaled fifty million dollars then they could get out of
2 the contract. But that was almost an impossibility.

3 Q So this contract was written so that they
4 would have to make a ton of money before the county could
5 ever get rid of them?

6 A That's correct.

7 Q They'd have to make fifty million dollars
8 profit off this contract -- well, not profit.

9 A Twenty-five percent of the fifty million would
10 be what they'd have to make. But you'd have to have fifty
11 million in excess over that twenty-nine million in that
12 three year period.

13 Q Okay. Did it appear that that was very
14 improbable that that would happen based on the history of
15 UMC?

16 A That was very improbable to me.

17 Q So when you saw those provisions you began to
18 form the opinion that this was a very unfavorable contract
19 for the county?

20 A Yes.

21 Q All right. Now if you would -- I think you
22 need to leave in about a minute; is that right?

23 A I have to leave at two.

24 Q You need to leave at two?

25 A I can leave at two.

14 1 Q If you would then start your Power Point
2 presentation and just --

3 A I'll walk people through it.

4 Q Yeah. And I'll ask questions.

5 A Okay. The initial contract, it allowed, it
6 said that ACS had to go through and look at all of the
7 performance and cash collections for UMC and it even said
8 in the agreement that ACS perform due diligence to prepare
9 the proposal on a contingency fee basis.

10 Q What does due diligence mean in that?

11 A That means that ACS examined the books of UMC
12 and any other documents that they needed to look at to
13 insure themselves that whatever amount they came up with
14 would be a satisfactory amount. That was their due
15 diligence.

15 Q Okay. Now you mentioned that a twenty-nine
16 million dollar baseline per month was set. Did you think
17 that that by itself was fairly favorable to the county?

18 A I went back and looked and examined -- you
19 know initially when the contract came in I didn't get
20 involved in it until a little bit later on. When I was
21 looking at that twenty-nine million a little bit later, I
22 thought it was okay, based on the contract.

23 Q So if they would have been able to collect on
24 average twenty-nine million dollars per month, they might
25

15 1 have been doing a pretty good job?

2 A That's correct.

3 Q Okay. Proceed.

4 A So the initial contract objectives were to
5 accelerate the cash collections and increase net revenue.
6 Now ACS was in charge of what they call the whole revenue
7 cycle. The revenue cycle includes billing, collection,
8 medical records, overseeing admissions, all those areas,
9 but it really was UMC people that were doing a lot of the
10 work, but they had people that oversaw some of those
11 operations.

12 Q Okay. So the things that ACS was supposed to
13 do were already being done by county agencies or county
14 employees?

15 A Yes.

16 Q All right.

17 A The initial contract was three years, 29.5
18 million. I'm sorry, we were talking twenty-nine, but it
19 was twenty-nine five baseline. And ACS said that they
20 would commence implementing improvements within three weeks
21 of contract signing. So you would expect even with
22 implementing improvements, it takes a little bit of time,
23 but you would expect to see some within the next few
24 months, generally I would say that you would expect to see
25 it within three months, some improvements. Actually what

15 1 happened was there was some improvements but they were
2 never reaching the twenty-nine five limit.

3 Q Okay. Now those of us that are back here this
4 far can't read what is written there so I'm going to have
5 to ask you to explain what we're seeing. We can see the
6 purple bars but we can't see what months are written there.

7 A Okay. On the left hand side is dollar amounts
8 per month, ten million, fifteen, twenty, twenty-five
9 thirty. They were collecting less -- the bars are the
10 amount, what we call postings, that's the, it would be like
11 when you receive money on an account, you mark it down that
12 you received the money, that's a posting. So on Medicaid,
13 Medicare, when they made a payment, that was a posting. So
14 the postings were for July at the bottom, July, August,
15 September, October. They were all below the twenty-nine
16 five.

17 Q Okay. Now this line right here that goes
18 across, is that the baseline?

19 A That's the baseline.

20 Q So that's the 29.5 million dollars per month
21 that they're supposed to be collecting to make any money at
22 all?

23 A Correct.

24 Q And this is how much they collected in July?

25 A Correct.

15 1 Q During the first full month of collecting,
2 right?

3 A Uh-huh.

4 Q This is a little bit higher in August, a
5 little bit higher in September, a little bit higher in
6 October; is that correct?

7 A That's correct.

8 Q In those first four months that we see
9 depicted on this graph, they're not making any money under
10 the contract?

11 A That's correct.

12 Q So they can't charge any percentage to UMC
13 that UMC has to pay them; is that right?

14 A That's correct.

15 Q Okay. So proceed.

16 A Okay. So it was about a little bit after
17 October when I received a document -- and I think you've
18 introduced that document --

19 Q Well, we haven't really described it or
20 anything yet.

21 A There was a document I received, it was called
22 an administrative clarification. Now what it said was
23 Superior will manage all billing and follow-up for Clark
24 County provider codes 0110, 0111, et cetera, which will be
25 used as part of their fee calculations.

15 1 Q Okay. Now you said Superior. Is Superior
2 another name that was used for ACS?

3 A Yes, it was Superior originally and then ACS
4 had bought them out during the time that this contract was
5 started.

6 Q Okay. So when you saw all these codes written
7 right into this clarification, is that what you didn't
8 understand?

9 A I didn't understand it at all. I didn't know
10 what those codes were. And so I had asked my auditor to
11 look those codes up for me and that's when he came back and
12 he said, well, those are for Clark County Indigent Trust
13 Fund codes. That's for money that is collected on those
14 codes.

15 Q So when you found out that this contract
16 clarification was being altered so that these codes were
17 now included in the contract, you felt you were onto
18 something very important?

19 A Yes. What I did was I looked up and said
20 well, how much money did we give to Clark County under
21 these codes. Or excuse me, to UMC under these codes from
22 Clark County Social Service. Well, we gave them about 48.9
23 million dollars. So that was the amount of money that he
24 was trying to add into this contract.

25 Q Okay. Now I'm going to ask you a couple of

16 1 clarification questions here.

2 The original contract that says they
3 have to exceed 29.5 million dollars in collectables to get
4 their percentage, did not include money that was already
5 coming in automatically; is that right?

6 A Correct.

7 Q And what kind of money was already being
8 collected automatically without any effort by anybody?

9 A There was a few areas. There was Clark County
10 money and then there was some, not regular Medicare but
11 there was like an additional payment because Clark County
12 is an indigent kind of a, excuse me, indigent hospital, so
13 there would be additional money coming in from there. That
14 was not included in some of the base. So the base is
15 usually cash collected from patients, from HMOs, PPOs,
16 insurance companies, Medicare and Medicaid. That was the
17 main base of it.

18 Q Okay. So people go to the hospital, they get
19 treated, and either their insurance company pays the
20 hospital or they pay the hospital, or both, and that was
21 the money that they were supposed to help collect, ACS or
22 Superior; is that right?

23 A That's correct.

24 Q But they were not supposed to add in money
25 that was already coming in from the county or from the

16 1 United States government or other sources automatically,
2 right?

3 A Yes. Medicare, Medicaid, those patients, cash
4 and insurance companies, and the contract explicitly, and
5 this is part, this is right from the contract, was that it
6 was not going to be included, Clark County indigent
7 patients, medical trust funds or cash received through the
8 direct efforts of a company called Accordis and a company
9 called Great Lakes.

10 Q So what that meant is there were already funds
11 coming in from these two companies, Accordis and Great
12 Lakes, and the county was already automatically sending
13 payments to UMC that didn't need collecting, and so ACS was
14 not allowed to collect a percentage on this money that was
15 already being sent in; is that right?

16 A That's correct. The Clark County Indigent
17 Trust Fund, that 48.9, UMC always gets it, they get it
18 every year. Their indigent is so high that whenever an
19 indigent goes in and there is a bill it goes to the county
20 and the county pays the bill. They received that every
21 year. Almost every year. I think maybe one year there was
22 an exception, but over, you know, twenty years I've been
23 there I think it's only happened one, almost thirty years
24 now, it only happened one time.

25 Q And indigent is a term that means poor people?

16 1 A Poor people.

2 Q So the county pays for poor people that don't
3 have insurance of their own and can't pay; is that correct?

4 A That's correct.

5 Q Okay. So the contract modification that had
6 caught your eye that had all these codes in there was an
7 attempt by ACS to now get credit for collecting money that
8 was coming in without any effort on their part?

9 A I felt it was an attempt by ACS and Lacy
10 Thomas.

11 Q Okay. That contract modification that had
12 caught your attention, had they been negotiated by Lacy
13 Thomas?

14 A Yes, it was.

15 Q And that was negotiated on behalf of the
16 hospital with this outside agency that he had hired to do
17 bill collecting?

18 A That's correct.

19 Q And so this was a way to pay them a ton more
20 money than they were already receiving under the contract?

21 A That's correct.

22 Q Okay. If you would go on with your --

23 A Sure.

24 When I first looked at the contract I
25 looked at the patient cash, the Medicare and the Medicaid,

16 1 and as part of that contract it said these cash receipts
 2 from July 4th to April 5th is essentially what it was based
 3 on. So when I saw that, I saw that it was twenty-seven
 4 million eighty-six nine, and so when I asked Lacy why
 5 wasn't the baseline set at that, he said there were some
 6 things going on at the county and I upped it over a million
 7 dollars. Which essentially is what he did. So he raised
 8 it up to twenty-nine five is according to what he was
 9 saying then.

17 10 Now going back to this, you know, I
 11 said, well, if that's the case, as you saw before that it
 12 did not include that computation that I did, did not
 13 include the Clark County Indigent Trust Fund, so after that
 14 I started to raise the question among the county manager,
 15 among the chief financial officer and among the civil D.A.
 16 and I said this is not, this is a material change to it, if
 17 he wants to get this on he's got to be forthright and put
 18 it before the board.

 19 Q The board being the Board of County
 20 Commission?

 21 A The Board of County Commissioners. But also
 22 we didn't feel that he should be getting that trust money
 23 because UMC always received that trust money, they would
 24 always get it.

 25 Q Okay. Now --

17

1 A But they also, key thing there was there was
2 no change in the baseline, even though he was giving all
3 this extra money he wasn't raising the baseline, so that
4 was a red flag to me.

5 Q Okay. All right.

6 A So we started to have meetings with him and in
7 the meetings, I believe there was, I remember there was
8 Thom and him and I at least in one of the meetings.

9 Q When you say Thom --

10 A Thom Reilly, the county manager. And we
11 confront him with it and he, at that time I didn't have
12 this prepared, I just knew there were forty-eight to
13 forty-nine million dollars going, that was going to be
14 included in this clarification. And I explained to them
15 this was a material change. He said it was the intent of
16 the contract to include it in there. I said, well, I don't
17 think it was, I don't think the money was ever supposed to
18 include that indigent trust money, that baseline. He got a
19 little huffy at me and started yelling saying yes it is.
20 So finally that's what brought me to this screen right
21 here. What I did was I went back, added up those, the
22 money that was associated with what they were saying where
23 they did their due diligence supposedly and I added in the
24 forty-eight million, 48.9 million that they would have
25 gotten from the Clark County Indigent Trust Fund, so that

17 1 would have totaled on a monthly basis 32.7 million dollars.
2 So I went back to Lacy, I said, if your intent was to
3 include that Social Service money in there, then why
4 weren't you raising the baseline, why would you lower the
5 baseline collecting the same amount of money and have this
6 company get 3.2 million dollars based on the prior year's
7 revenue. That's almost thirty-eight million dollars.
8 That's just like extraordinary. So later on I thought he
9 had given up on it.

10 Q So what was his answer to your question when
11 you said why would you do this?

12 A You know I remember him at one point saying,
13 you know, well, maybe I made a mistake, but I really don't
14 specifically recall, but I remember telling him that he
15 understood it. So then within a day or so I get a call
16 from the chief financial officer, and the chief financial
17 officer said hey, I've got Lacy calling me and he's telling
18 me that, he's still harping on this, that the Social
19 Service money should have been included in there.

20 Q Let me instruct the members of the Grand Jury
21 that last statement was hearsay so you've got to disregard
22 what somebody else said.

23 But it's true that you receive a phone
24 call about this very same subject that you had just talked
25 to Lacy Thomas about the day before, correct?

17 1 A That's correct.

2 Q And in response to that phone call did you
3 meet again with Lacy Thomas?

4 A I did. I met again with Lacy Thomas in the
5 chief financial officer's office.

6 Q Did you reiterate what you had already told
7 him the day before?

8 A I did.

9 Q And what you told him essentially was you
10 cannot have figured the Clark County Social Service money
11 into that original contract or else you would have set the
12 baseline in a completely different place?

13 A That's correct.

14 Q And the new contract modification again would
15 have resulted in substantially more money going to ACS?

16 A That's correct, based on the '04/'05.

17 Now later on what I did was look at the
18 fiscal year 2006, and if it had implemented in October
19 there would have been about nine months remaining on that
20 contract approximately. And so I went back and looked at
21 what that really would have cost the county, because they
18 22 collected less money but still would have cost us more
23 money. So when I looked at it before the clarification,
24 and this was with the spikes, they would have received a
25 million one forty-five before the clarification.

18 1 Q They being?

2 A ACS.

3 Q ACS would have received this?

4 A Yes. But with the clarification they would
5 have received almost eight million dollars under that
6 contract. And so there was a difference of about 6.8
7 million in addition to what they would have received.

8 Q So Lacy Thomas was trying to pay ACS 6.8
9 million more dollars than the county was already paying
10 them?

11 A That's right.

12 Q And the performance in collecting account
13 receivables, was it above or below what the county had been
14 doing on its own without ACS?

15 A Those collections for that 2006 were below.
16 They were below for the fiscal year which would have been
17 July to June, from July of 2005 to June of 2006, were
18 approximately six million dollars below what the previous
19 year was.

20 Q Okay. So you have to go now, we'll let you
21 go, but I'll conclude with this one last question.

22 What you've said means that we were
23 paying, it was proposed that we pay them 6.8 million more
24 dollars to do a worse job?

25 A That's correct.

18

1 MR. MITCHELL: Okay. Thank you.

2 THE WITNESS: You're welcome.

3 THE FOREPERSON: Are you through with the
4 witness?

5 MR. MITCHELL: He may be coming back later
6 today.

7 THE FOREPERSON: That's fine.

8 THE WITNESS: Or I can come back at another
9 time but I have to really get going. I hope you don't
10 mind.

11 THE FOREPERSON: By law these proceedings are
12 secret and you are prohibited from disclosing to anyone
13 anything that has transpired before us, including evidence
14 and statements presented to the Grand Jury, any event
15 occurring or statement made in the presence of the Grand
16 Jury, and information obtained by the Grand Jury.

17 Failure to comply with this admonition
18 is a gross misdemeanor punishable by a year in the Clark
19 County Detention Center and a \$2,000 fine. In addition,
20 you may be held in contempt of court punishable by an
21 additional \$500 fine and 25 days in the Clark County
22 Detention Center.

23 Do you understand this admonition?

24 THE WITNESS: I do understand.

25 THE FOREPERSON: You are excused.

18

1 A JUROR: There is no questions?

2 MR. MITCHELL: I would ask that you hold the
3 questions. We'll bring him back for the questions. We
4 just don't know if it will be today or on the 22nd.

5 A JUROR: He will be back though?

6 MR. MITCHELL: But he has a doctor appointment
7 he can't miss.

8 A JUROR: He will be back though?

9 MR. MITCHELL: Yes, he definitely will be
10 back.

11 THE WITNESS: Okay. Is that it?

12 Thank you very much.

13 MR. MITCHELL: If you would write down your
14 questions so that you don't forget them.

15 THE FOREPERSON: Please raise your right hand.

16 You do solemnly swear that the testimony
17 you are about to give upon the investigation now pending
18 before this Grand Jury shall be the truth, the whole truth,
19 and nothing but the truth, so help you God?

20 MS. VALENTINE: I do.

21 THE FOREPERSON: Please be seated.

22 You are advised that you are here today
23 to give testimony in the investigation pertaining to the
24 offenses of theft and misconduct of a public officer
25 involving Lacy L. Thomas.

18

1 Do you understand this advisement?

2 MS. VALENTINE: Yes.

3 THE FOREPERSON: Please state your first and
4 last name and spell both for the record.

5 MS. VALENTINE: Virginia Valentine.

6 V-i-r-g-i-n-i-a, V-a-l-e-n-t-i-n-e.

7

8 VIRGINIA VALENTINE,

9 having been first duly sworn by the Foreperson of the Grand
10 Jury to tell the truth, the whole truth, and nothing but
11 the truth, testified as follows:

12

13 EXAMINATION

14

15 BY MR. MITCHELL:

16 Q Ma'am, what is your position with Clark
17 County?

18 A I am the Clark County county manager.

19 Q So you're like the local president of the
20 United States except the governmental entity we're talking
21 about is Clark County; is that right?

22 A We have a counsel manager form of government
23 and as such I work for the county commissioners and then
24 the rest of the people work for me directly or indirectly.

25 Q You don't have any superior in the county; is

18 1 that correct, other than the Board of County Commissioners
2 2 that you work with?

3 A That's correct.

4 Q Did you get elevated to that spot to replace
5 Thom Reilly?

6 A Yes, I did.

7 Q So when he resigned you then were the next
8 county manager that took over; is that right?

9 A That's correct.

10 Q Okay. When you became county manager, was
11 Lacy Thomas still the CEO at UMC?

12 A Yes, he was.

13 Q How long did you perform your duties as the
14 new county manager while he was still in that position?

15 A Until January 16th.

16 Q Okay. And you became county manager when?

17 A On August 11th of '06.

18 Q All right. So a little more than five months,
19 a few days more than five months; is that correct?

20 A Yes.

21 Q All right. Now what was your relationship
22 with Lacy Thomas in terms of any supervisory authority that
23 you would have had or your responsibilities with respect to
24 his job performance?

25 A He reported directly to me.

18 1 Q Do all the county agencies report to you?

2 A They report to me either directly or
3 indirectly. Some of them are assigned to assistant county
4 managers, the CFO or the chief administrative officer, or
5 they report directly to me.

6 Q Had the county passed some ordinance that
7 required the CEO of UMC to report directly to the county
8 manager?

19 A Yes. It was an interlocal contract between
10 the seven elected county commissioners sitting as the Board
11 of Trustees for the hospital and the seven, same seven
12 county commissioners sitting as the Board of County
13 Commissioners. And it was an interlocal agreement
14 stipulated that the CEO for the hospital reported to the
15 county manager.

16 Q Okay. Now when you took over, would it be
17 fair to say that UMC was in financial trouble?

18 A Yes.

19 Q Was it pretty dire or was it --

20 A At that point Mr. Thomas was not giving us
21 financial reports. There were several indicators that in
22 fact there were serious financial problems at the hospital.

23 Q And the financial problems were stemming from
24 what problem at its root? Were you familiar with that?

25 A Well, I think there were a variety of factors

19

1 for the hospital's financial performance. The indicators
2 that we had -- am I getting ahead?

3 Q No, go ahead.

4 A We knew that there were problems because he
5 had quit giving us financial reports. In fact he said he
6 was not able to produce financial reports. At the same
7 time the accounts payable or the amount of money, the bills
8 that the hospital owed, went from about thirty million
9 dollars in unpaid bills to about ninety million dollars in
10 unpaid bills over a period of time so we knew that he had
11 basically stopped paying the hospital's bills, was only
12 selectively paying hospital bills. We also received
13 repeated calls from the University of Nevada School of
14 Medicine that we had not been paying them. He had stopped
15 paying the Clark County Employees Self-Funded insurance
16 plan, and I think at one point he was about a year behind
17 in making those payments to the tune of eleven or twelve
18 million dollars. So there were, we had several indications
19 that there were financial problems at the hospital.

20 Q Okay. And were you aware of whether or not
21 the hospital was successfully collecting the debts that
22 were owed to it?

23 A That I don't, I don't recall directly. There
24 were problems with collections. I don't think I can
25 quantify those for you without research.

19 1 Q Okay. But that was something that Lacy Thomas
2 was supposed to report to you; is that right?

3 A That's correct. That would have been part of
4 the financial reports.

5 Q That he was not supplying?

6 A Providing.

7 Q Okay. Now did you have occasion during that
8 short time that he was under you to mention to him this
9 problem, that he needed to provide reports, and have
10 conversations with him about that?

11 A Yes, I did.

12 Q On more than one occasion?

13 A On more than one occasion.

14 Q All right. And if you would characterize it
15 generally, what was the tone of the conversations that you
16 would have with him?

17 A They were somewhat hostile. Mr. Thomas
18 asserted that he did not work for me and that he felt that
19 he was not subject to many of the county's policies and
20 procedures. For example, employee pay raises were supposed
21 to be approved by the county manager before he gave them,
22 he gave them anyway and did not report those; he did not
23 comply with the county's purchasing, the fiscal guidelines,
24 which is basically the competitive process for awarding
25 contracts; he repeatedly stated that he didn't work for me,

19

1 that he wanted an agenda item to do away with the
2 interlocal contract that caused him to be my direct report.
3 We defined the relationship between the county manager and
4 the hospital CEO. He at one point -- I don't know if Mr.
5 Carroll covered this -- but he tried to put things on the
6 agenda that had no backup, no justification, things that we
7 couldn't tell were warranted. At one point he had an item
8 to change all of the rate structure for the hospital and he
9 submitted it with no backup, which is a violation of the
10 open meeting law, it's not even legal to do it that way.
11 He wanted to hire a contract company called BlickenWolf
12 that would have replaced the internal auditors role at the
13 hospital with corporate compliance. Generally it was an
14 insubordinate relationship.

15 Q And generally did all these things fall under
16 the category of him not wanting anybody overseeing his
17 handling of the finances?

18 A Yes, he wanted no oversight, no questions at
19 all.

20 Q But his position was contrary to the law; is
21 that right?

22 A That's correct.

23 Q Were you generally aware of the contract under
24 which he had been hired?

25 A Yes, I was.

20

20

1 Q Okay. And did the contract require him to
2 abide by the law and answer to superiors like yourself?

3 A Yes, it did.

4 Q So would it be fair to say that he wanted to
5 flout the law and get away with it and not have anybody
6 criticize him for it?

7 A He generally felt he was outside of the law or
8 above it, yes.

9 Q Okay. Was there a private foundation, one or
10 more out there, that was trying to raise money for UMC to
11 help it along?

12 A Yes, there was UMC Foundation.

13 Q Okay. And what did that consist of?

14 A That was a group of community individuals who
15 had basically, most of them were long time Las Vegans who
16 did fund-raising for the hospital and they were involved
17 with the Children's Miracle Network and they generated
18 money that was then donated to the hospital. It was a
19 nonprofit organization.

20 Q Philanthropy basically?

21 A Yes.

22 Q And these people would raise money for the
23 hospital not through tax assessments or anything but just
24 by private donations and then give it to the hospital for
25 worthy purposes?

20

1 A Yes.

2 Q Okay. And how much were they giving to the
3 hospital per year on average, if you know, if you could
4 estimate?

5 A I'm sorry, I don't know.

6 Q Was it a small amount of money or a large
7 amount of money? I mean was it ten thousand dollars or
8 would it be more?

9 A It would have probably over time been in
10 excess of a million, hundreds of thousands of dollars, on
11 that order of magnitude.

12 Q Did they do this annually or just whenever
13 they could or --

14 A I think it was probably a little more sporadic
15 than that.

16 Q Did they have projects or telethons or
17 anything like that that were used for that purpose?

18 A Through the partnership with the Children's
19 Miracle Network they did.

20 Q And the purpose of all that was just to be
21 good community citizens; is that right, and help out UMC?

22 A Yes, these were just volunteers.

23 Q What was Lacy Thomas' attitude towards the
24 money that they were raising with these private efforts?

25 A He wanted them to give him the money and

20

1 basically butt out.

2 Q Did that cause a conflict with the charitable
3 organization?

4 A Yes. In fact that caused a huge concern with
5 them.

6 Q Did they not want to have to give him full
7 discretion over the expenditures of those moneys?

8 A They did not. In fact they went so far as to
9 basically figure out how much money they had, the county
10 accepts money on board agendas through donations, they got
11 on an agenda, they gave all the money back to the county
12 and they all quit.

13 Q So did the foundation end up dissolving?

14 A Yes, it was dissolved.

15 Q Did it dissolve because of its relationship
16 with Lacy Thomas?

17 A Yes, it did.

18 Q And were you closely monitoring that situation
19 enough to know why it dissolved?

20 A I was not aware that there were problems until
21 Carolyn Sparks and Bill Flangas who were the leaders of the
22 foundation appeared at the county commission meeting to
23 make the donation, and I don't think anyone was prepared
24 for the information they brought forth, and at that time
25 they basically explained what had happened to the

20

1 relationship with the hospital, turned over the money and
2 basically abandoned the foundation.

3 Q How did this conflict that you were having
4 with Mr. Thomas conclude? You said that on more than one
5 occasion you had talked to him about the fact that he had
6 to answer to you and provide reports. Did he ever knuckle
7 under and submit himself to your authority?

8 A No, he never did. Right until the very end he
9 had refused to produce financial reports, he refused to
10 tell me what he was going to present at the board meeting.
11 At the conclusion, the day he was terminated, we received
12 the final audit report for the prior fiscal year, it was
13 information he had, he refused to provide me with that
14 information in advance of the meeting, and so he was pretty
15 much insubordinate to the very end.

16 Q Okay. And when you finally did get the
17 information, what did it show?

18 A It showed that we had gone from a budgeted
19 subsidy or loss at the hospital of about, I believe about
20 eighteen million dollars to somewhere around thirty-four
21 and a half million dollars.

22 Q Okay. So the hospital was in the red that
23 amount?

24 A Almost two-fold, uh-huh.

25 Q So in his short -- well, is that for the six

1

1 month period or --

2 A That was a year end audit. We do an external
3 audit at the close of every fiscal year so that was for the
4 fiscal year that ended June 30, 2006.

5 Q Okay. So the hospital's debt had doubled in
6 one year?

7 A It possibly would have been even more than
8 that, but that's based on other accounting things that I
9 probably don't need to go into.

10 Q The county's financial or UMC's financial
11 situation had dramatically worsened very rapidly?

12 A Yes, it had.

13 Q And you had no reports to be able to take
14 corrective measures because that's exactly what you would
15 have done if you would have had the reports?

16 A Yes.

17 Q Okay. When you heard this information and
18 finally got that report, what did you do in response?

19 A We had, through talking with the external
20 auditor and my discussions with the county CFO we had an
21 idea of about what those figures would be when he produced
22 it. He was in fact able to produce financial reports and
23 we did have some idea because they were being given to us
24 from employees inside the hospital who were concerned about
25 the financial health of the hospital. So at, when we, I

1 knew that this was coming, I had seen the audits that Mr.
2 Carroll had prepared, we knew that there was a Metro
3 investigation at the same time, and I had a problem because
4 I did not have documented financial information basically
5 to support what I needed to do with Lacy, when I had that
6 information I terminated his contract with the county
7 January 16th.

8 Q Okay. And the way you terminated it was to
9 speak with him directly?

10 A I did. I handed him a letter. There were
11 three things that happened on that day at the county
12 commission meeting. One was that we received the external
13 audit report for the prior fiscal year that demonstrated
14 that there had been, there were serious financial problems
15 that had not been disclosed to the commission or the
16 manager, Metro issued a warrant, a search warrant for the
17 hospital that day for financial records, and we were in a
18 window in Lacy's contract when I could terminate him for
19 convenience. And after he made his presentation I handed
20 him a letter and said I'm terminating your contract for
21 convenience, he said I don't work for you, I said well, the
22 D.A. tells me you do, and he immediately went down during
23 the commission meeting and asked the commissioners if they
24 knew what I had done to him, so he even challenged his
25 termination, and when I think he saw that the commissioners

1 did support what I had done he left.

2 MR. MITCHELL: Okay. That concludes my
3 questioning. Do any members of the Grand Jury have
4 questions for Miss Valentine?

5 THE FOREPERSON: Gil.

6 BY A JUROR:

7 Q In the intergovernmental agreement that you
8 had between the two boards, which in fact are one board --

9 A Right.

10 Q -- did the UMC board have procedural
11 jurisdiction over UMC operational aspects?

12 A Well, ultimately the board is responsible for
13 the, for me and for all county operations. I'm sorry, sir,
14 I'm not sure I understand the --

15 Q Well, what I'm saying is that the board of
16 commissioners, acting as the board of UMC, had procedural
17 jurisdictional responsibilities over the operation of UMC.

18 A Yes.

19 Q Okay. In that context then I have some
20 structural problems or questions that I would like to
21 address.

22 Was the contract with ACS a result of a
23 competitive RFP, request for proposal?

24 A I do not believe that it was.

25 Q Thank you.

1 So it was a sole source contract?

2 A I believe so. There were so many contracts
3 with issues, I'd have to go back and look at that, but I
4 believe that was a sole source contract.

5 MR. MITCHELL: And if you don't specifically
6 remember it's okay to say so.

7 THE WITNESS: I'm sorry, there were six or
8 seven or eight contracts that had real problems and they
9 were all handled differently unfortunately.

10 BY A JUROR:

11 Q But in each case the board of UMC did not
12 review those contracts or review the procedural aspects of
13 how those contracts came about to the best of your
14 knowledge?

15 A And I was not county manager when I think that
16 contract was awarded. The county has two things we do with
17 purchasing. We have state law, which the county has to
18 comply with the state purchasing acts, and we have fiscal
19 directive six. Fiscal directive six basically says that
20 things that have to be bid, some things have to be bid,
21 professional services, generally looking for the most
22 qualified, and not necessarily the low bid, like
23 engineering, architectural services, legal services, so in
24 this case the policy was unless you've got a real good sole
25 source justification you better go through a process.

2 1 There is a form the county has to fill out. It's in fiscal
3 2 directive six. To my knowledge Lacy did not comply with
4 3 that policy in anything he did.

5 4 Q Which leads me to the next question. Were
6 5 there specifications written regarding the basis of the
7 6 contract that would have been reviewed by some function,
8 7 perhaps the board at UMC or yourself in some case?

9 8 A At that time UMC had their own purchasing and
10 9 contracting department and the individual who was
11 10 overseeing UMC purchasing contracts would have had that
12 11 responsibility. In other words, one of Lacy's reports.
13 12 But that said they should have still been complying with
14 13 county policy.

15 14 Q Which they were not apparently to the best of
16 15 your knowledge?

17 16 A No, they were not.

18 17 MR. MITCHELL: And I'll just interject here
19 18 that the next witness before this Grand Jury will be the
20 19 County D.A. over providing civil law.

21 20 A JUROR: Contractual?

22 21 MR. MITCHELL: Advice to the county, yes.

23 22 BY A JUROR:

24 23 Q Did anyone in your office, or to the best of
25 24 your knowledge, review the terms of the contract as it was
26 25 structured at the time of its signing?

2 1 MR. MITCHELL: Now I need to clarify that
2 question. You're talking about the ACS?

3 A JUROR: ACS contract.

4 THE WITNESS: And that I don't know. We --
5 obviously it was audited after it was put into place and
6 found to be questionable.

7 BY A JUROR:

8 Q There was no, to the best of your knowledge,
9 again with respect to the ACS contract, was there any value
10 associated with it other than the bonus value for
11 collection purposes?

12 A No.

13 Q Thank you.

14 BY MR. MITCHELL:

15 Q Now ma'am, when you were describing what the
16 hospital board does, and the hospital board is the same
17 group of people as the Board of County Commissioners; is
18 that correct?

19 A That's correct.

20 Q So the county had set it up that these people
21 would have a pretty direct interplay with the way that the
22 hospital was being run; is that right?

23 A They are a policy board. They generally rely
24 on the staff to bring forward the items and to do them in
25 the legally, proper way.

2 1 Q The CEO of UMC, when he wanted to do something
2 where he wanted to spend UMC money, was the structure such
3 that he was supposed to approach the board of hospital
4 trustees or -- I don't know if I'm saying that right.

5 A The only authority, unless it specifically
6 delegated to a county department head by the board of
7 commissioners, the only authority that any of us have is we
8 can spend up to twenty-five thousand dollars and generally
9 your next witness advises us, even non-monetary contracts,
10 even contracts without a fiscal impact, we should not be
11 signing those because they can create liability for -- the
12 contract should go on a board agenda. So none of us have
13 the authority to go spend anything above twenty-five
14 thousand dollars without the board's approval.

15 Q Okay. But Lacy Thomas was the person who was
16 in charge of making the initial decision to spend money
17 whatever way he was proposing to spend it; is that right?

18 A Yes.

19 Q And speaking generally, he would seek the
20 permission of the board, the hospital board?

21 A Sometimes he did and sometimes he didn't.

22 Q If he didn't do it then he was breaking the
23 law?

24 A That would be my understanding, yes.

25 Q Okay. So if he entered into contracts that

2 1 were not approved by the board, then he either snuck that
2 by them without permission, or -- well, that would be the
3 only way he could do it; is that right, unless it was under
4 twenty-five thousand dollars?

5 A That's correct.

6 Q Okay. Once it got by the Board of Hospital
7 Trustees -- is that what it is, is that what the name of
8 the board is?

9 A Yes.

10 Q Once it got by that board, would it then have
11 some overarching county approval process it would have to
12 go through or was that the end of it?

13 A They had at one point had their own, a
14 separate comptroller position and so there is still the
15 disbursement of funds. Once you have the contract there is
16 an invoice that has to be approved, a purchase order is
3 17 opened, and then up to the amount of the contract there is,
18 you know, generally someone has to get an invoice and sign
19 it and say the work was performed, it's submitted to the
20 county and payment is authorized. So the county
21 comptroller, acting for the comptroller at UMC, would then
22 see those, but generally that person is not in a position
23 to say if the work was performed or not, they rely on
24 someone in a department or agency signing off and basically
25 attesting that the work was completed.

3 1 Q Okay. For this system to work did it rely a
2 lot on trusting the CEO of UMC to seek out contracts that
3 were beneficial to the county?

4 A It absolutely depended on the trust in that
5 individual and relying on them to follow county policy,
6 because we did have policies that stipulated on the proper
7 legal way to do business with the county, so it relied on
8 adherence to the policies in addition to just trust.

9 Q And you've been asked about the bid process.
10 What is the county's interest in the bid process being
11 followed? And just explain that a little bit. When the
12 county wants something done or UMC wants something done,
13 they put it out for bid; is that right?

14 A I think different people use bid a different
15 way and again I want to distinguish between the lowest
16 responsive and responsible bidder under the purchasing act.
17 So if you're bidding something that can, where there is a
18 seal, low bids are submitted and those bids are opened
19 through a process that we outline through the purchasing
20 department. That's a different procedure. That's
21 generally like you're going to build a building or you're
22 going to acquire office supplies or something that you can
23 bid. If you're getting a professional service like IT or
24 information technology, or even a collection company to
25 some degree, or those professional services, doctor

3 1 contracts, there is a lot more discretion involved.
2 Because what the taxpayer interest in generally is you get
3 the best value, and I'm a professional engineer and
4 generally we would say you don't want the guy who is going
5 to design the bridge that will just barely stand up, you
6 want a bridge that over time the life cycle cost is better.
7 So you want the best bridge you can get. It's the same
8 with doctors. You don't want a low bid heart surgeon, you
9 want the heart surgeon that has the best qualifications and
10 the best success rate. The public interest is two-fold;
11 it's the best value for money, but also making sure you get
12 the best quality of services, particularly with something
13 that you're going to maintain and own over time. Your
14 interest in that being not maybe the cheapest first price,
15 but something that is going to last a long time, that's the
16 public interest, it's the best value, best use of taxpayer
17 money, but it's also quality and qualifications are a
18 factor in a professional service contract selection
19 process. But we absolutely require competitive process for
20 everything that the county purchases.

21 Q And so would it be fair to say that Lacy
22 Thomas had been hired at UMC to lookout for those twin
23 interests that you just described?

24 A That's correct.

25 Q So he should be seeking contracts that have,

3 1 that do high quality work as well as being competitively
2 2 priced vis-a-vis their competitors?

3 3 A That's correct.

4 4 Q Okay. And by not giving you reports you were
5 5 unable to determine whether that was being done; is that
6 6 right?

7 7 A That's correct.

8 8 MR. MITCHELL: Okay. I think there are other
9 9 questions.

10 10 THE FOREPERSON: Bill.

11 11 BY A JUROR:

12 12 Q I just have -- you started in August 2006?

13 13 A August 11th of 2006.

14 14 Q Okay. So it seems to me that you were left
15 15 holding the bag here and that the previous county manager,
16 16 if the previous manager had done the same type of job that
17 17 you were doing, maybe we wouldn't be in this position
18 18 today.

19 19 MR. MITCHELL: I'm going to ask --

20 20 A JUROR: I'm sorry, I take the question back.

21 21 MR. MITCHELL: I'm going to ask her not to
22 22 answer that but --

23 23 THE WITNESS: Oh darn.

24 24 MR. MITCHELL: Pardon me?

25 25 THE WITNESS: Nothing.

3 1 MR. MITCHELL: But are there any other
2 questions about the operational setup of UMC or the fiscal
3 responsibilities or the job duties of Lacy Thomas or
4 anything else that is relevant as to whether or not he was
5 guilty as charged on these counts.

6 THE FOREPERSON: No further questions from the
7 Grand Jury.

8 By law these proceedings are secret and
9 you are prohibited from disclosing to anyone anything that
10 has transpired before us, including evidence and statements
11 presented to the Grand Jury, any event occurring or
12 statement made in the presence of the Grand Jury, and
13 information obtained by the Grand Jury.

14 Failure to comply with this admonition
15 is a gross misdemeanor punishable by a year in the Clark
16 County Detention Center and a \$2,000 fine. In addition,
17 you may be held in contempt of court punishable by an
18 additional \$500 fine and 25 days in the Clark County
19 Detention Center.

20 Do you understand this admonition?

4 21 THE WITNESS: I do.

22 THE FOREPERSON: Thank you for your testimony.

23 THE WITNESS: Thank you.

24 THE FOREPERSON: You are excused.

25 THE FOREPERSON: Please raise your right hand.

4 1 You do solemnly swear the testimony you
2 2 are about to give upon the investigation now pending before
3 3 this Grand Jury shall be the truth, the whole truth, and
4 4 nothing but the truth, so help you God?

5 MS. MILLER: I do.

6 THE FOREPERSON: Please be seated.

7 MS. MILLER: Thank you.

8 THE FOREPERSON: You are advised that you are
9 9 here today to give testimony in the investigation
10 10 pertaining to the offenses of theft and misconduct of a
11 11 public officer involving Lacy L. Thomas.

12 Do you understand this advisement?

13 MS. MILLER: Yes.

14 THE FOREPERSON: Please state your first and
15 15 last name and spell both for the record.

16 MS. MILLER: Mary-Anne Miller. M-a-r-y,
17 17 hyphen, A-n-n-e, M-i-l-l-e-r.

18

19 MARY-ANNE MILLER,

20 20 having been first duly sworn by the Foreperson of the Grand
21 21 Jury to tell the truth, the whole truth, and nothing but
22 22 the truth, testified as follows:

23

24 24 ///

25 25 ///

4

1

EXAMINATION

2

3

BY MR. MITCHELL:

4

Q Ma'am, what is your position at the county?

5

A I'm county counsel.

6

Q What does that mean?

7

A It means I'm the deputy district attorney

8

assigned to run the civil division of the District

9

Attorney's Office. We're charged by statute with giving

10

legal advice and representation to the county, the Board of

11

County Commissioners and its agencies.

12

Q Generally speaking are you the county's

13

lawyer?

14

A That's an easy way to say it.

15

Q Okay. You've been in this position how long

16

now?

17

A As county counsel I've been in that position

18

for ten years. I've served as a civil deputy for

19

twenty-two years.

20

Q Okay. Now in your duties do you have any kind

21

of supervisory relationship with UMC, one of the county

22

agencies?

23

A Yes. UMC is required by the Board of Hospital

24

Trustees to get all its legal advice and representation

25

through the Clark County District Attorney's Office.

4 1 Q So would it be fair to say that the law
2 requires them to go through you for legal advice?

3 A Yes.

4 Q If Lacy Thomas, when he was the CEO at UMC,
5 had wanted to hire a private lawyer to advise him on legal
6 matters, would that have been within the law for him to do
7 that?

8 A He would have had to receive permission from
9 our office to do that.

10 Q So you were the person or people working under
11 you, you were the people who would tell him what he could
12 do legally and what he couldn't do legally; is that right?

13 A Yes.

14 Q Would that also include you giving advice on
15 the legality of contracts or the process whereby contracts
16 were secured?

17 A Yes.

18 Q Okay. So if he wanted to hire some company to
19 do work for UMC, he would have to run that by you before
20 that contract could come into being and go before the
21 hospital board of trustees?

22 A He's supposed to do that.

23 Q If he followed the law that's what he would
24 do?

25 A That's correct.

4 1 Q All right. Now I'm going to ask you a few
2 questions about the law.

3 Was Lacy Thomas a public official or a
4 public officer under the meaning of the law?

5 A Yes, he was a public officer.

6 Q And as a public officer, did that impose upon
7 him certain legal duties that other people wouldn't have if
8 they didn't qualify as public officer?

9 A There is a higher level of requirement to
10 apply to all the statutes of a public officer. Because by
11 definition you're a public officer if your position is
12 created by statute or ordinance or the constitution and you
13 have certain public policies and discretionary duties.

14 Q Okay. If you are guilty of misconduct as a
15 public officer, are the penalties higher for you than they
16 would be for somebody who did the same act but wasn't a
17 public officer?

18 A Yes.

19 Q Okay. So generally speaking would it be true
20 to say that they are held to a higher legal standard than
21 people that are not in their category?

22 A Yes.

23 Q Are you familiar with the term professional
24 services contract?

25 A Yes.

4 1 Q What is a professional services contract in
2 county speak?

3 A Professional service contract is a contract
4 for services that requires more than just scale, it
5 requires some sort of discretion or talents. It's usually
6 used as something, for something that you can't bid by
7 dollars and cents.

8 Q Could you give an example?

9 A An attorney, an outside attorney would be a
10 professional service.

11 Q And is the procedure for securing a
12 professional services contract different than the procedure
13 for securing other kinds of contracts?

14 A Yes. State law requires for contracts that
15 can be competitively bid, you can match apples to apples,
16 that it go through a specific statutory procedure including
5 17 notice put in the paper and/or forms so that people can
18 come in and bid on them. Professional services are a
19 statutory exception to that process.

20 Q Okay. Let me use the example of the
21 University Medical Center building the northeast tower, a
22 new building addition to the hospital. When they're
23 seeking a general contractor to build that new addition,
24 would that contract be a professional services contract or
25 a regular contract?

5 1 A That would be a construction contract. There
2 is specific statutory requirements for how a government
3 agency provides those contracts.

4 Q So if companies wanted to compete with each
5 other to get that contract with the county, would they
6 follow a well-established bidding process where their bids
7 were solicited and then approved by somebody?

8 A Yes. And if they didn't it wouldn't be a
9 valid contract.

10 Q Okay. And the criteria that would be used in
11 determining who got that contract would be what generally
12 if we're talking about building a building for example?

13 A According to statute it's the lowest
14 responsive and responsible bidder. It means the lowest bid
15 that met all the requirements of the bid by a person
16 capable of doing the bid. For example, a person with the
17 right licenses to do the bid.

18 Q Okay. And who would decide whether or not the
19 bidders measured up under those criteria?

20 A In the case of the county it's the Board of
21 County Commissioners.

22 Q And would that be true even if we're talking
23 about a hospital building?

24 A Yes. Under the statutes the Board of County
25 Commissioners make those determinations for a county

5

1 hospital.

2 Q That wasn't something that Lacy Thomas could
3 decide on his own, correct?

4 A Correct.

5 Q All right. Now if we're talking about a
6 professional services contract, that wouldn't be the kind
7 that you would build a building with; is that right?

8 A That's correct.

9 Q Would he have to go, if let's say Lacy Thomas
10 wants to hire a lawyer for himself, or to advise him, and
11 you said he would need to get your permission, would he go
12 through the same process as he would when he's bidding out
13 a building or would it be different in some way?

14 A He would not go through the same strict
15 process as bidding out a building, but it's the county and
16 UMC's policy that unless a department head or a chief
17 executive officer can justify why one particular person
18 should have that job there should be some sort of
19 competitive bidding process that's called request for
20 proposals.

21 Q Okay. How would it be determined whether or
22 not he could justify something?

23 A There is a policy in place for him to submit
24 his justification to the finance division of the county.

25 Q Would that be something that you would

5 1 eventually see or somebody that you designated from the
2 D.A.s office?

3 A I don't think we would see that justification
4 in the event of an ordinary professional until it got to
5 the point of drafting up a proposed contract.

6 Q Okay. So if it ever got to that stage where
7 he was ready to sign somebody on to provide professional
8 services then you would have oversight over that contract?

9 A Yes.

10 Q And you would make sure that it was legal and
11 that the county's procedures had been followed?

12 A Correct.

13 Q When did you meet Lacy Thomas for the first
14 time?

15 A I met him for the first time within a month
16 after him starting and it was in a social setting along
17 with other department heads at the county.

18 Q Did there come a time after that initial
19 meeting where you had a one-on-one conversation with him?

20 A Well, I think the first substantive meeting I
21 had with him didn't occur until he had been in his position
22 for about a year.

23 Q All right. He was hired at the end of 2003
24 or --

25 A I think he was hired at the end of 2003. I

5 1 think he came at the very first of January 2004.

2 Q And when you had that first conversation with
3 him, was it about work and your responsibilities vis-a-vis
4 him?

5 A Yes. I had had occasion to make a change in
6 assignment of the deputy district attorney that was
7 assigned to UMC. Shortly after that he insisted that I
8 come over to UMC to meet with him.

9 Q And when you say he insisted, what does that
10 mean exactly? Did he call you and say come over here?

6 A He -- I don't recall what was going on in my
11 work life at the time, but UMC officials come over to the
12 county building all the time, and I said sure, I'm kind of
13 busy, can we fit a meeting in here or there or, and he was
14 insistent that I had to come to his office, it had to be at
15 the noon hour and it wasn't up for discussion. And I
16 agreed to do that.

17 Q Okay. You found it a little bit unusual that
18 he would be telling you where the meeting was going to take
19 place?
20

21 A I found it unusual that he was so insistent
22 upon it.

23 Q Since you were his legal advisor?

24 A Well, just common courtesy. If you're setting
25 up a meeting with someone you try to accommodate their

6

1 schedule.

2 Q So you acquiesced, you went to that meeting,
3 and do you recall the conversation you had with him there?

4 A Yes. It was an unusual conversation because
5 we hadn't had a lot of experience together. He told me his
6 theory of how the hospital should be run and that he was
7 aware that there were statutes that governed how the
8 hospital ran but they often got in his way, and he, my role
9 should be to find a statute that would help him find a way
10 around the statutes or to get out of the way.

11 Q And you responded how?

12 A I'm not sure how it works in Chicago but it
13 doesn't work that way here.

14 Q Lacy Thomas was from Chicago?

15 A Yes.

16 Q And he had been hired by Clark County from a
17 similar position in Chicago?

18 A Yes. He ran a government funded hospital in
19 Chicago and he told me his job was to compete with the
20 private hospitals here and that the state statutes would
21 put him on an uneven playing field and he wasn't willing to
22 do that.

23 Q All right. When you told him that's not the
24 way we do things here, did you elaborate on what that
25 meant?

6 1 A Yeah. We had a detailed discussion. I said
2 the statutes weren't there to put him on an even playing
3 field with the private hospitals, they were to assure that
4 the taxpayers money was spent in an aboveboard fashion, to
5 put some limits on what a hospital and its trustees could
6 do and that my job was to make sure that he followed those
7 statutes and followed the rules that the Board of County
8 Commissioners set.

9 Q All right. And when you told him that, what
10 was his response?

11 A He told me this isn't going to work at all.

12 Q And you said?

13 A It worked for everyone else, I don't know why
14 it won't work for you.

15 Q With that auspicious beginning, what was your
16 relationship with him after that?

17 A It was a bit chilly for awhile because the new
18 deputy that I had assigned to his team was more diligent
19 than the previous deputy and we were questioning a lot more
20 of his transactions.

21 Q And he objected to the diligence of the deputy
22 that you had appointed to work over UMC?

23 A He objected to the interference of our office,
24 yes.

25 Q Can you give us a taste of what the objections

6 1 concerned, what he didn't like you doing?

2 A He didn't like us offering advice on whether
3 certain provisions were in the best interest of the county,
4 he didn't like us indicating that before any contract goes
5 on the board of county commission agenda we needed to see
6 it and review it.

7 Q Was that the main sticking point or the
8 remaining source of conflict over the months?

9 A Over getting board of county commission
10 approval of his expenditures, yes.

11 Q Now did you have subsequent conversations with
12 him about this same subject as time went on?

13 A As time went on the issue would crop up again
14 and again what the extent of his authority was and we had
15 discussions about that.

16 Q Okay. Did he at any time question whether or
17 not the D.A.'s office had authority over him or was the
18 proper entity to be reviewing his contracts?

19 A He brought it up several times, but it was
20 hard for him to dispute because there is a state statute
21 and his own contract indicated that he would obtain D.A.
22 approval on his expenditures.

23 Q Now did you review his employment contract
24 pursuant to my request?

25 A Yes.

6 1 Q What did the employment contract say with
2 2 respect to him abiding by the law and abiding by the
3 3 statutes and ordinances?

7 4 A It required as a condition of his contract
5 5 that he follow the state statutes and county policies and
6 6 procedures with respect to expenditures and moneys.

7 7 Q If he had not agreed to the terms of that
8 8 contract would he have been hired?

9 9 A No.

10 10 Q You mentioned that you had conversations on
11 11 multiple occasions about him refusing to run the contracts
12 12 that he was trying to enter into by the D.A.'s office. Did
13 13 you have similar conversations about authority that he was
14 14 exercising over the settling of cases?

15 15 A Yes. I don't recall how it first came up but
16 16 it came to our attention that the hospital was settling
17 17 tort cases, either employment discrimination or medical
18 18 malpractice cases, without setting, putting the case
19 19 settlements before the board of county commission for
20 20 approval.

21 21 Q So people were suing UMC and he was settling
22 22 those cases, like agreeing to pay out a settlement to the
23 23 people that were suing without passing it by the D.A.'s
24 24 office?

25 25 A Or county finance or the board of county

7 1 commission. The particular case that we first noticed, it
2 2 was a payout of two hundred fifty thousand dollars, which
3 3 would be very unusual for the Board of County Commissioners
4 4 to approve.

5 Q And he did that on his own?

6 A He did that on his own. And as we began to
7 7 look at it more it turned out that he had been doing it for
8 8 sometime in a number of cases.

9 Q Could you venture just a ballpark figure on
10 10 how many dollars worth of cases you discovered he had
11 11 already settled when you discovered this first instance?

12 A I'm sorry, I can't.

13 Q Was the two hundred fifty thousand dollar one
14 14 the biggest one that he settled or do you remember?

15 A I don't remember. But he gave us reason to
16 16 believe that the two hundred fifty thousand dollar case was
17 17 not unusual.

18 Q Okay. Is it true that the D.A.'s office is
19 19 very, very interested in settling cases against the county?

20 A We want to, we're very, very interested in
21 21 making sure that the settlements are appropriate because
22 22 taxpayer funds are used for those cases and we have, there
23 23 is some insurance but it's mostly a self-insured pool and
24 24 we have to pay appropriate amounts to make sure that
25 25 insurance pool remains viable.

7 1 Q Do you often fight these cases and litigate
2 them when the county gets sued or when UMC gets sued?

3 A Yes.

4 Q So it's not a foregone conclusion that the
5 case is going to be settled at all; is that right?

6 A No.

7 Q Sometimes does the county litigate and win and
8 have to pay nothing at all?

9 A Certainly.

10 Q Does that happen frequently in fact?

11 A Certainly.

12 Q But if the case is settled by Lacy Thomas then
13 the county is going to lose without even putting up a
14 fight; is that right?

15 A It depends at what point in the litigation
16 that he settles it. If it settled very promptly then there
17 isn't much of a fight. It's hard for me to generalize.

18 Q Who is supposed to settle these cases if they
19 get settled?

20 A The Board of County Commissioners.

21 Q And you spoke to him about this thing that you
22 had discovered that this process had been going on without
23 your office's knowledge or the Board of County
24 Commissioners' knowledge?

25 A Yes.

7 1 Q Did you speak to him alone or were there other
2 people present when you had that conversation?

3 A On at least one occasion there were other
4 people present.

5 Q Okay. And when you brought this to his
6 attention his response was what?

7 A That it would interfere with his
8 administration of the hospital, if people found out how
9 much he settled cases for it would increase people filing
10 claims against the hospital and it wouldn't be in the best
11 interest of the hospital.

12 Q So he didn't want to make these things public?

13 A That's what he told us.

14 Q Did you say okay, that's all right, then go
15 ahead or --

16 A I said no. The very requirement of the open
17 meeting law is that people do have a right to see if this
18 is an appropriate settlement and good use of taxpayer
19 funds.

20 Q Did the conflict between your office and Lacy
21 Thomas ever resolve satisfactorily?

22 A I would say no. It was always a matter of us
23 having to tell him what the limits on his authority was.
24 More than once, on at least two occasions I was present
25 with him and Thom Reilly when he told Thom Reilly that I

8 1 had never advised him of the limits of authority when in
2 2 fact there had been specific and quite vigorous discussion
3 3 on the matter between he and me previously.

4 Q So he lied to Thom Reilly who was the county
5 5 manager about whether or not he knew that you were over
6 6 him?

7 A He lied to Thom Reilly about whether or not he
8 8 had been advised that certain actions were outside the
9 9 scope of his authority.

10 Q The employment contract he signed, or any
11 11 state law that you're aware of or county ordinance, is
12 12 there anything in the contract or in the law that required
13 13 him to seek out the best interest of UMC in his conduct as
14 14 CEO?

15 A I think the contract sets out that he's
16 16 supposed to act in the best interest of UMC as CEO.

17 Q Okay.

18 A And any public officer has that responsibility
19 19 under the statute to use public funds in the best manner
20 20 possible.

21 Q Okay. So we could say that he was required by
22 22 his own employment contract and the law to seek the best
23 23 bang for your buck for the taxpayers?

24 A Yes.

25 MR. MITCHELL: I have no more questions. Do

8 1 any members of the Grand Jury wish to inquire?

2 THE FOREPERSON: Gil.

3 BY A JUROR:

4 Q I have several questions. I'd appreciate it
5 if you could answer them to the best of your ability.

6 As a public officer did Lacy have to
7 take an oath in addition to his contractual execution?

8 A I don't believe that he did. Usually an oath
9 is required specifically by statute and the chief executive
10 officer of a hospital is not required to take an oath.

11 Q I see.

12 In the contract there must be a cause of
13 action for dismissal.

14 A In this particular contract there were two
15 different grounds for termination, one for the convenience
16 of the county and one for cause.

17 Q And were those executed in the context of his
18 dismissal?

19 A He was terminated for convenience because the
20 particular time that the county manager decided to
21 terminate him was within a three month window of
22 termination for convenience.

23 Q For convenience, not cause?

24 A It was such a simple procedure. Although we
25 discussed the possibility of termination for cause.

8 1 Q The next two questions I have are to the best
2 of your ability.

3 You mentioned that several cases were
4 settled, legal cases were settled as a result of his
5 decision to settle those cases without counsel from the
6 county's office. In those cases were there any personal
7 links to the best of your knowledge to those settlements?
8 In other words, were these people hired by Thomas at some
9 point in time and then at some point in time subsequent to
10 that hiring filed a suit and then proceeded to get a
11 settlement from Thomas in conjunction with that suit?

12 A Not that I'm aware of.

13 Q I see.

14 Was there any increase in the number of
15 cases filed as a result of the fact that he went ahead and
16 unilaterally settled these cases?

17 A Not that I'm aware of.

18 Q Thank you.

19 THE FOREPERSON: Bill.

20 BY A JUROR:

21 Q The district attorney didn't ask this, but
22 since you're the lawyer for the county in regard to UMC,
23 did you look over this ACS contract ahead of time?

24 A Not really ahead of time. It didn't come to
25 our attention until well into the process and it was one of

8 1 the contracts that we determined that Lacy wasn't running
2 2 them by the D.A. in the usual course of contact. It was
3 3 one of the ones that got pulled off an agenda and sent back
4 4 to him to work on it further.

5 Q Okay. So I guess what I'm getting to is at a
6 6 certain point didn't that contract have to be approved by
7 7 the Clark County Commission?

8 A Yes.

9 Q Okay. And isn't it a fact that before they
10 10 can approve a contract like that that they would get the
11 11 advice of their counsel?

12 A Well --

13 Q As to whether to approve it or not.

14 A They did not get the advice of counsel as to
15 15 whether or not to approve it, whether or not it was the
16 16 best interest of UMC. They did get it approved initially
17 17 as to whether or not it was legal.

18 Q Okay.

19 A There is two different levels of review, one
20 20 is for legality and one whether or not it's a good idea.

21 Q That's all I got.

22 THE FOREPERSON: No further questions.

23 MR. MITCHELL: I've got a couple more.

24 THE FOREPERSON: Go right ahead.

25 MR. MITCHELL: As follow-ups.

8 1 BY MR. MITCHELL:

2 Q How much specific knowledge do you have
3 personally about the ACS contract? Did you review anything
4 about it before coming here today?

9 5 A I have not looked at it recently.

6 Q Okay. You remember it though generally?

7 A Yes.

8 Q And you mentioned two different standards of
9 review. As you sit there do you know whether or not it
10 went through both of those standards of review?

11 A Not the --

12 Q Both legality and --

13 A Not the initial contract. It was not
14 explained fully to the deputy -- this is just something
15 that is needed for the hospital -- and it didn't raise any
16 alarms the first time it went through. Thereafter Lacy
17 tried to do kind of a unilateral amendment to it that
18 raised additional concerns and a deeper level of scrutiny.

19 Q And was this the original deputy that was
20 advising UMC that was supposed to review that contract?

21 A I'm sorry, I don't recall.

22 Q Okay. But when you made the change that you
23 mentioned and appointed a new deputy to counsel UMC, was it
24 partly so that the scrutiny would increase?

25 A Yes, fully for that reason.

9 1 Q Okay. Was there a certain amount of trust
2 initially that was given to Lacy Thomas to submit
3 beneficial contracts to UMC?

4 A I think when he started that job he was fully
5 trusted that he would be doing the best for UMC and we did
6 not give him an especially high level of scrutiny.

7 Q So scrutiny increased over time as the need
8 became apparent?

9 A Exactly,

10 MR. MITHCELL: All right. Any further
11 questions?

12 THE FOREPERSON: No further questions from the
13 Grand Jury.

14 By law these proceedings are secret and
15 you are prohibited from disclosing to anyone anything that
16 has transpired before us, including evidence and statements
17 presented to the Grand Jury, any event occurring or
18 statement made in the presence of the Grand Jury, and
19 information obtained by the Grand Jury.

20 Failure to comply with this admonition
21 is a gross misdemeanor punishable by a year in the Clark
22 County Detention Center and a \$2,000 fine. In addition,
23 you may be held in contempt of court punishable by an
24 additional \$500 fine and 25 days in the Clark County
25 Detention Center.

Do you understand this admonition?

THE WITNESS: I do.

THE FOREPERSON: Thank you for your testimony.

You are excused.

THE WITNESS: Thank you.

THE FOREPERSON: Mr. District Attorney, before you call your next witness the Grand Jury will take a ten minute break.

(Recess.)

THE FOREPERSON: Please raise your right hand.

You do solemnly swear the testimony you are about to give upon the investigation now pending before this Grand Jury shall be the truth, the whole truth, and nothing but the truth, so help you God?

MR. FORD: I do.

THE FOREPERSON: Please be seated.

You are advised that you are here today to give testimony in the investigation pertaining to the offenses of theft and misconduct of a public officer involving Lacy L. Thomas.

Do you understand this advisement?

MR. FORD: Yes, sir.

THE FOREPERSON: Please state your first and last name and spell both for the record.

MR. FORD: Michael Ford. M-i-c-h-a-e-l,

9 1 F-o-r-d.

2

3

MICHAEL FORD,

4

having been first duly sworn by the Foreperson of the Grand
5 Jury to tell the truth, the whole truth, and nothing but
6 the truth, testified as follows:

7

8

EXAMINATION

9

10 BY MR. MITCHELL:

11

Q Sir, how are you employed?

12

A With the Las Vegas Metropolitan Police

13

Department.

14

Q What's your position with the department?

15

A I'm a detective in the criminal intelligence

16

section.

17

Q Did you have occasion to become involved in

18

the investigation of UMC and specifically Lacy Thomas, the

19

CEO of UMC?

20

A Yes, sir.

21

Q What was it that spurred your interest in that

22

case?

23

A I was contacted by the district attorney David

24

Roger to come to his office to be briefed on some concerns

25

they had with UMC at the time.

9 1 Q All right. When you began working this case,
2 were you working in connection with other detectives at
3 Metro?

4 A Yes, sir.

5 Q Who were those detectives?

6 A My partner Detective Bob Whiteley was the
7 other one that was present with me.

8 Q And as you began this process of investigating
9 UMC, what was your first step that you took?

10 A Are you talking after the briefing with David
11 Roger?

12 Q Yeah, after meeting with David Roger, yes.

13 A I contacted Jerry Carroll, he was the auditor
14 involved, and he had quite a bit of the information
15 reference the financial reports that were missing. I asked
16 a little bit about what kind of information those financial
17 reports should be providing to the hospital and why
18 somebody in their position, the hospital, Lacy Thomas'
19 position, would want to withhold that financial report from
20 the hospital, just to kind of get a gauge of what was going
21 on. After looking at the reports I realized that quite a
22 bit of money could be missing so we started looking at some
23 of the companies that were already identified as
24 potentially receiving favorable contracts through Lacy
25 Thomas at UMC.

9 1 Q And when you were looking at those companies
2 what were you trying to find?

3 A Well, we were trying to find several different
4 things. We were trying to find, number one, what they had
5 in common which was, you know, their place of origin, they
6 were all from Chicago, we were also trying to find whether
7 or not they were an actual service provider company,
8 meaning a company that actually provided a service rather
9 than a consulting company. What we found is the majority
10 of those companies that received these contracts were all
11 consulting companies meaning that they really didn't do the
12 work, they just talked about doing the work.

10 13 Q Did you also look into whether or not the
14 heads of those companies were acquainted with Lacy Thomas?

15 A Yes, sir, we did. That was one of the more
16 difficult things for us to do. But we worked that for
17 probably a couple months and we found out that the majority
18 of the people involved with those companies were all from,
19 fraternity members with Lacy Thomas in a fraternity known
20 as Alpha Phi Alpha. So we found out that they were all
21 from the same fraternity and all black males and all from
22 Chicago. All consulting jobs.

23 So at that point what we started doing
24 is started to learn about hospitals. We had to find out,
25 you know, from our standpoint, I hadn't investigated a

10 1 hospital, so we had to educate ourselves a little bit about
2 2 what we needed to look for and we did that by talking to
3 3 Virginia Valentine and Mary-Anne Miller and all the experts
4 4 involved in this field who provided so much information to
5 5 us as far as where to look. So we looked at the contracts
6 6 that these companies were receiving and it was pretty easy
7 7 for us to determine just at that point that something
8 8 criminal was going on.

9 Q Okay. Now I'm going to direct your attention
10 to the ACS contract. You became familiar that there had
11 been a big contract with UMC with a company called Superior
12 that became ACS?

13 A Yes, sir.

14 Q Were you able to determine who was running ACS
15 as it pertained to the UMC contract?

16 A Yes. Ross Fidler and Bob Mills.

17 Q And were both those people, did they, did
18 either one of those or both of those men have connections
19 with Chicago?

20 A Yes, sir, that was the thing that we found out
21 was back in Chicago Lacy Thomas was involved in the Cook
22 County health system back there, as well coincidently
23 Superior Consulting Company had numerous lucrative
24 contracts throughout the Cook County health system while
25 they were Superior. So they did have quite a bit of .

10

1 contract back there. Doing interviews with, during
2 interviews with Ross Fidler and Bob Mills, they both
3 admitted that they had known Lacy back then, were really
4 good friends with Lacy and had received contracts for their
5 work back there in Chicago.

6 Q Now his position in Chicago was CEO at Stroger
7 Hospital; is that correct?

8 A Yes, sir.

9 Q And so he had been in the position at Stroger
10 of hiring other companies to do contract work with that
11 hospital?

12 A Sure, that's correct.

13 Q And did you eventually talk to Lacy Thomas
14 himself about his prior contracts with Bob Mills and Ross
15 Fidler?

16 A Yes.

17 Q Did he admit that he knew those guys?

18 A He admitted that he knew them as from Chicago.

19 Q Did he admit that he had done business with
20 them before?

21 A He --

22 Q Did he discuss that?

23 A I believe he did discuss that in the interview
24 that we had. As far as that particular question if he had
25 done business with them back in Chicago, I'm not entirely

10 1 sure, Scott. I'm sorry.

2 Q Okay. And those two guys are not black males;
3 is that right?

4 A That's right.

5 Q And as far as you know not members of that
6 fraternity?

7 A That's correct.

8 Q But of the companies and ties that you
9 investigated, those were the only two exceptions to the
10 general rule of being fraternity brothers and black males
11 from Chicago; is that right?

12 A That's correct.

13 Q Lacy Thomas is a black male himself?

14 A Yes, sir.

15 Q The nature of that fraternity, is it exclusive
16 for blacks or do you know?

17 A I believe it is exclusive for blacks.

18 Q Now did he explain why he had hired ACS to do
19 this work for UMC or to provide the service that he hired
20 them to provide?

21 A Yes. He explained that he wanted to bring ACS
22 in to help UMC collect money. He said that they had a
23 great system, they were a great company, and that all the
24 projections that he was shown was that they were going to
25 really help UMC collect a lot of debt because UMC had

10 1 problems in place as far as collecting debts.

2 Q Did he claim that he had done some sort of
3 investigation to determine what was inefficient about the
4 system already in place and these people were going to
5 improve on that?

6 A He said that he had, during his tenure, since
7 he had been in the hospital, that he had, you know, went
8 down to these departments to see what the number one
9 concerns were. By looking at the reports they weren't
11 10 collecting enough money is how he explained it to us. In
11 our interview he was saying they had more money going out
12 than coming in so he had to fix that. He didn't really
13 identify particular areas that really needed to be fixed,
14 it was just really a broad example of what he gave us. The
15 way he talked primarily were all in broad venues, nothing
16 very pinpoint to give clear examples, but more broad than
17 anything else.

18 Q Okay. So he never said specifically what ACS
19 could do better than the system that was already in place?

20 A That it would augment it and it would be able
21 to make UMC more money.

22 Q Did you talk with him eventually about the
23 fact that or about the subject of him trying to increase
24 revenue for ACS?

25 A Yes.

11 1 Q Okay. Did you ask him about why he had
2 modified the contract so that they would be making
3 substantially more money from UMC?

4 A Yes, I did.

5 Q What was his explanation about that?

6 A His explanation at that point was that, I
7 believe that there was some type of error in the
8 calculation of the baseline is how they had did it.

9 Q And so he was, he thought the contract was
10 originally unfair to them?

11 A Correct.

12 Q And so he needed to modify the baseline so
13 they would make more money?

14 A Correct. The way he had explained it, and you
15 have to remember he wasn't entirely briefed on it, he
16 wasn't very knowledgeable about it, so when we talked to
17 him about it the way he explained it to us was again in
18 broad strokes. He said, well, they came in with a team,
19 they calculated the baseline, the amount of money they
20 needed to make, and that at some point there was some type
21 of error that they had committed so that ACS wasn't making
22 what they were projected to make. So he didn't want them
23 to -- no company was going to come in and work for free is
24 what Lacy Thomas had said.

25 Q Okay. Did he claim that they had been the

11 1 ones who had developed the baseline and that he had not had
2 a part in that?

3 A Correct.

4 Q Did he ever explain why he was looking out for
5 ACS more than the hospital or why he was concerned about
6 the profitability of ACS instead of the profitability of
7 the hospital that he was in charge of?

8 A No. No, sir.

9 Q Okay. Did he defend the changes that were
10 made as being appropriate, the changes to the contract?

11 A Yeah. He believed they were appropriate. He
12 defended them even though he couldn't give no concrete
13 explanation as to why it was. It was kind of a change of,
14 and again like I said he spoke very broadly, very
15 eloquently about it, but he was kind of just talking to
16 talk, you know, talking in circles so to speak. Because in
17 the beginning he had mentioned he brought ACS in and they
18 had brought the baseline back to him and said hey, here is
19 our projected baseline of twenty-seven million dollars.
20 Lacy Thomas said he just arbitrarily raised it to 30.5
21 million, raised it by three and a half million dollars per
22 year just because he wanted them to work for his money
23 because he thought, he was trying to show how he was going
24 to make those guys work for the money. We get a baseline
25 that comes in, I think the original statement was 29.5 that

11 1 they had to meet, and they come in and they can't meet it,
2 2 so instead of him saying I screwed up and raised it up or
3 3 whatever the bad projections were, it was again him talking
4 4 in circles saying that we needed to work for ACS, the
5 5 benefit.

6 Q So his first story was that he wanted to make
7 7 sure the county got a good deal so he set a baseline that
8 8 would force them to earn their money, but then the second
9 9 story was ACS wasn't making enough profit so he had to help
10 10 them?

11 A That's correct.

12 Q Okay. Now just a moment.

13 Now did you confront him with the fact
14 14 that ACS was collecting less money than the county had been
15 15 collecting before ACS was hired?

16 A Yes, I did.

17 Q And his response to that was what?

18 A He felt that his other corporate officers,
19 19 chief information officer and chief operating officer, were
20 20 really dragging their feet and were undermining the whole
21 21 process, that they weren't getting the employees involved
22 22 in it and that they were slowing everything down. And also
23 23 initially he indicated that things like this took time, you
24 24 know, for it to, for them to really start seeing results.
25 25 He kept asking for more time and that something like this

12 1 doesn't happen overnight.

2 Q So his general posture in his discussions with
3 you was to defend ACS and wanting to keep them on?

4 A He still, yeah, correct, he still thought it
5 was a great deal for the county.

6 Q Or he said he did?

7 A Or he said he did, yes.

8 Q When you had conversations with him, on how
9 many occasions did you do that?

10 A Interviews you mean, sir?

11 Q Yes.

12 A Three.

13 Q Okay. And when did these take place?

14 A January of '07, March of '07, and then I think
15 the last one was in July of '07.

16 Q So when you were speaking with him he was no
17 longer CEO at that point, he had already been fired?

18 A Correct.

19 Q Did you Mirandize him before speaking with
20 him?

21 A No, I did not.

22 Q And why was that?

23 A He wasn't in custody and we weren't planning
24 on arresting him.

25 Q So that wasn't required; is that right?

12 1 A That's not required, no, sir.

2 Q Only if they're arrested?

3 A Only if they're arrested and if I'm going to
4 question him once he's arrested.

5 Q When you would speak with him did he have an
6 attorney present?

7 A He did.

8 Q On all three occasions?

9 A All three occasions.

10 Q And those conversations took place here in
11 Clark County?

12 A They did.

13 Q All right. Did he seem willing to talk to
14 you?

15 A Yes, he did.

16 Q Did he at any time in discussing the ACS
17 contract admit to any, admit to having made any errors
18 himself in his management of that contract and his job
19 duties?

20 And I'm not asking about anything in the
21 report. I'm just asking if you remember anything.

22 A Nothing jumps out as far as him accepting any
23 blame or anything as far as with ACS. The only thing that
24 he did do once I think during the third interview when we
25 talked to him about that a little bit more was mention that

12 1 his contract supervisor Don Haight was the one who actually
 2 assisted or helped write the contract and he didn't. So,
 3 you know, he passed it down to Don Haight was the one that
 4 wrote the contract.

5 Q Don Haight was a UMC employee?

6 A Yes, sir, UMC contract writer.

7 Q Okay. But he did admit that he had had input
8 into the terms of the contract?

9 A Yes, sir.

10 Q Except that ACS had established their own
11 baseline to begin with?

12 A Correct.

13 Q Now did you investigate his ties to a company
14 called Frasier Systems?

15 A Yes, sir.

16 Q And Frasier Systems had been a company that
17 provided consulting services or contracted to provide
18 consulting services to UMC?

19 A Yes, sir.

20 Q And the head of that company was whom?

21 A Gregory Boone, B-o-o-n-e.

22 Q Did you eventually speak with Gregory Boone?

23 A I did not speak with Gregory Boone but my
24 sergeant and my partner on my squad did.

25 Q Did that take place in Chicago or here?

12 1 A In Chicago, sir.

2 Q Did you become familiar yourself with Gregory
3 Boone's place of business in Chicago?

4 A Yes, sir.

5 Q What was that place of business?

6 A It was his mom's house in the garage.

7 Q Now he claimed that this was the company
8 headquarters?

9 A Yes, sir.

10 Q And did he have a business license in Chicago?

11 A For a short time he did. And it expired.

12 Q When he had provided, or when he had
13 contracted with UMC, did he have any business license at
14 that time?

15 A Under the first -- let me check real quick,
16 Scott.

17 I think under the very first license
18 contract he might have, but it had it expired in January of
19 '05 I believe. So I don't know if Frasier, you know, had
20 received their first check before his licensed expired. It
21 was really close so.

22 Q And did he ever have any business license
23 locally?

24 A No, never.

25 Q And did you go to his place of business, his

12

1 mother's garage?

2 A We took a photo of it, yes, his house.

3 Q Did it look like there were any ongoing
4 concerns there in the garage?

5 A There was no -- no. It just looked like an
6 ordinary suburban home, a two car garage, that was it,
7 nothing, no signs, no business going in and out of the
8 house, nothing like that, no.

13

9 Q When did that business spring into existence?

10 A Five days after Lacy Thomas was accepted as
11 CEO of UMC is when it was created. November, November 23,
12 2003.

13 Q So Lacy Thomas had been offered a job with UMC
14 as CEO and then Frasier -- what is the name of that
15 company?

16 A Systems.

17 Q Frasier Systems springs into existence headed
18 by a Gregory Boone; is that right?

19 A Yes, sir. November 18, 2003 Lacy Thomas'
20 position is ratified by the county board and on November
21 23rd Frasier Systems goes into business.

22 Q And did they have any employees besides
23 Gregory Boone?

24 A None that we could find, no.

25 Q The contract that was signed eventually with

13

1 UMC was signed when?

2 A Frasier?

3 Q Yes.

4 A August 3rd, 2004 was the first one.

5 Q All right. And what was the nature of that
6 contract?

7 A Nature of that contract was for it to be a
8 quick look evaluation.

9 Q Of what?

10 A Of the IT department at UMC.

11 Q Okay.

12 A Information Technolgies department. Sorry.

13 Q And did Lacy Thomas enter into this contract
14 unilaterally, I mean by himself?

15 A Correct. It took us awhile to figure out the
16 contracts and how contracts work at UMC, and the way the
17 contract was entered in this particular instance was very
18 out of the ordinary. It was more or less a sole source
19 deal that was pushed through that no one caught is how it
20 happened.

21 Q So it never went through the Board of Hospital
22 Trustees or the Board of County Commissioners?

23 A No.

24 Q And you say sole source meaning nobody bid on
25 it except for --

13

1 A Except for Greg Boone, uh-huh, who didn't
2 really bid on it, just received it.

3 Q All right. And how much money was this first
4 contract for to take a quick look at UMC's IT system?

5 A Fifty thousand four hundred dollars.

6 Q Did he actually get paid for that?

7 A He did.

8 Q Did he get all fifty thousand dollars?

9 A He got all fifty thousand four hundred.

10 Q What did he give back to UMC in return for
11 that fifty grand?

12 A Twenty-five minute Power Point presentation
13 which was thirty pages in length.

14 Q And did you get a chance to look at the Power
15 Point presentation?

16 A Yes, I did.

17 Q And did it provide any specific information
18 that wasn't already obvious to the common observer?

19 A No. It was a regurgitation of information
20 Gregory Boone had received from three people that he
21 interviewed on a two-day trip at UMC.

22 Q How did you find that out?

23 A By talking to everyone in the IT department
24 and I found people that remembered talking to Greg Boone, I
25 showed them the Power Point presentation, they chuckled and

13

1 laughed and said this part here is what I told him was a
2 concern that I had, Doug Northcutt, the CIO of UMC,
3 mentioned there were several pages in the Power Point
4 presentation that were his concerns that he had told him
5 about, but there was nothing new as far as a new
6 perspective on the information technology department that
7 Boone authorized other than what they had said.

8 Q So he interviewed three people over two days
9 and then he encapsulized what they had told him in this
10 Power Point presentation, gave that to UMC and received
11 fifty thousand dollars for that?

12 A Yes.

13 Q Now did he receive additional contracts after
14 that?

15 A Yes.

16 Q What was the next contract for that he
17 received?

18 A The next one was on December 7, 2004, and it
19 was for two hundred and eighty-six thousand seven hundred
20 dollars.

21 Q And that was to do what?

22 A It was to implement a project manager office
23 for the Information Systems department.

24 Q Okay. Now when he entered into that contract
25 with UMC, did UMC already have a project manager's office?

13 1 A No, they did not.

2 Q Did they have a project manager available to
3 them?

4 A Yes, they did.

5 Q Free of charge?

6 A Correct.

7 Q Paid for by the county?

8 A Correct.

9 Q So if they had a project that they needed
10 managing, they could use somebody that was already employed
11 by the county to do that?

12 A Yes, they could definitely use the person that
13 the county had at their disposal to bring that to them,
14 yes.

15 Q And it wouldn't have cost UMC a penny?

16 A Yeah, it was already a county paid salaried
17 employee.

18 Q Okay. So he was offering to provide what the
19 county already had; is that right?

14 20 A Uh-huh.

21 Q And was hired to do that?

22 A Yes, sir.

23 Q And he was supposed to implement this or
24 design it? What was he supposed to do exactly?

25 A Well, the way the agenda item which was

14 1 cleared on the 7th of December 2004 read was that he was
2 just going to implement a project manager office for the
3 ISD. And he never did that, no.

4 Q Okay. Did that contract, actually the second
5 contract, did that go through board approval?

6 A It did.

7 Q And that was recommended by Lacy Thomas?

8 A Correct.

9 Q Did you speak with Lacy Thomas about that
10 contract?

11 A With Frasier Systems?

12 Q Yes.

13 A Yes, sir.

14 Q . What was his explanation as to why he had
15 hired Gregory Boone who was running a company out of his
16 mother's garage to these contracts?

17 A He said that he had did a lot of work back at,
18 in Cook County, and that Gregory Boone had did some work at
19 his hospital back there saving him millions of dollars. He
20 indicated that Gregory Boone was a master in the IT field,
21 widely respected, widely renowned, and he was basically the
22 only person he would ever want to look at the IT department
23 at UMC because he was so knowledgeable.

24 Q And in fact Gregory Boone's company had sprung
25 into existence ten days after --

14

1 A Five days.

2 Q -- five days after Lacy got hired?

3 A That's correct.

4 Q Were you able to determine if Gregory Boone
5 had any prior experience before forming Frasier Systems
6 that would indicate that he had that expertise that Lacy
7 Thomas was claiming?

8 A Yes, we were.

9 Q And what did you find out?

10 A We found out that he used to work for Lacy
11 Thomas as his chief information officer at Cook County.

12 Q So he had not run a company or provided those
13 kind of consulting services in the past?

14 A No, sir.

15 Q Did Lacy Thomas initially admit that, that he
16 had that relationship with Greg Boone?

17 A No, he did not.

18 Q That he had been Greg Boone's boss before?

19 A Never came up, never mentioned it.

20 Q Did you confront him with that fact eventually
21 during any of your interviews?

22 A No.

23 Q Did he ever admit that he had that
24 relationship?

25 A He admitted that he did, he used to, I think

14 1 Boone used to work with him, but we didn't get very
2 confrontational because we wanted him to talk quite a bit
3 more.

4 Q Did you speak with somebody that had been
5 contacted by Gregory Boone --

6 A Yes, I did.

7 Q -- to be a subcontractor under him?

8 And who was that that you spoke to?

9 A Lori Threatt, T-h-r-e-a-t-t.

10 Q When you spoke with her was your purpose to
11 find out if she had actually done any work under that
12 contract?

13 A Yes. And if I may add something real quick,
14 Scott, just so I can clarify something. This is the second
15 contract for two eighty-six seven hundred that called for
16 the PMO and the information, the project manager office to
17 be delivered. That was never delivered. They were paid
18 this amount of money and that never happened. The year
19 came and went. The day before it expired Ernie McKinley
20 received an item from Greg Boone that Greg Boone had viewed
21 on his computer terminal, it was the State of Virginia's --

22 Q Dashboard?

23 A -- dashboard. And so what Greg Boone decided
24 to turn in was the dashboard, which is like a computer
25 program showing you how to navigate things, and said this

14 1 is what we need to have for UMC. That was his deliverable
2 for that year.

3 Q Okay. Now I need you to backup here. Make
4 sure we're not getting hearsay here.

5 You didn't speak with Greg Boone
6 yourself, somebody else did?

7 A Correct, Ernie McKinley did.

8 Q Had the dashboard been part of the contract
9 that Greg Boone was supposed to provide UMC?

10 A No, sir.

11 Q But the dashboard was the product that UMC
12 got; is that right?

13 A That's right.

14 Q That's all they got for two hundred eighty-six
15 thousand dollars?

16 A That's all they got, yeah. Dashboard is a
17 part that supposedly goes from the project manager's
18 office, which the county probably would have had on disk
19 down at the county building if they would have walked down
20 there and grabbed it.

21 Q And what is it; just basically a keyboard or
22 something that allows you to access information on the
23 status of projects?

24 A It's a computer program that tracks projects.
25 So if we come in there and want to know who is doing what

15

1 on what project, we pull that up and say okay, your project
2 is sixth in line, we've got so many man hours dedicated to
3 this project, and they can keep track of it and put
4 manpower whichever other way. It's a computer program to
5 keep track of something.

6 Q All right. And did you confront Lacy Thomas
7 with the fact that nothing had been delivered except for
8 this?

9 A Yes, I did.

10 Q Did he respond to that?

11 A He did. He said that, he defended the
12 dashboard as being a big break-through and that UMC got
13 their moneys worth, that dashboard goes hand in hand with a
14 PMO and in fact the dashboard is more important than having
15 an actual PMO. So he spoke very eloquently on it for many
16 minutes and defended Greg Boone and the work that he had
17 done for that two hundred eighty-six thousand dollars.

18 Q Did you determine yourself whether Greg Boone
19 was a personal friend of Lacy Thomas?

20 A We did.

21 Q And how did you confirm that?

22 A We confirmed that through e-mails that we
23 captured from his computer.

24 Q How did you capture e-mails from Lacy Thomas'
25 computer?

15 1 A His work computer, I'm sorry, through a search
2 warrant served at UMC.

3 Q Was the search warrant served as part of this
4 investigation?

5 A Yes, sir.

6 Q You went back and read his correspondence
7 because the judge had authorized that in the search
8 warrant?

9 A That's correct.

10 Q And what was it that indicated that he had
11 prior dealings with Greg Boone?

12 A Photo of them, all of them together at a
13 wedding, Martello Pollock's wedding, Greg Boone and Lacy
14 Thomas, and it showed the guest list and so forth. We also
15 uncovered a check that Henrene Thomas had wrote for Greg
16 Boone to pay for like wedding gifts or something of that
17 nature, and then we found some e-mails that came back and
18 forth where they were both in the same fraternity, the
19 Alpha Phi Alpha from where it shows the listing of the
20 members and Brother Thomas and Brother Boone were both
21 listed.

22 Q You mentioned Henrene Thomas. Is that Lacy
23 Thomas' wife?

24 A Yes, sir.

25 Q So she had had some involvement in getting

15

1 wedding gifts that involved him, you were able to discern
2 that from the e-mail?

3 A Yes, sir.

4 Q Was she buying something for him or --

5 A I think it was just to pay back a gift that
6 they had received at this particular wedding, to send them
7 the money for it, or a trip. They lived in Chicago, Boone
8 lived back in Chicago, and the Thomases relocated here, so
9 I think it was just to send them money for whatever
10 expenses they incurred while they were out there for
11 something.

12 Q Did you investigate a contract that -- oh,
13 when was the time frame when that second contract was
14 entered into; do you have that?

15 A Yes, sir. December 7, 2004 through June of
16 2005.

17 Q Now did you investigate if there was any
18 difference in the way that that contract was paid out
19 versus other contracts that did not involve Lacy Thomas'
20 friends?

21 A Yes, we did, and we determined that with in
22 particular Frasier Systems, they would receive payment
23 almost immediately on their submitted invoices, meaning if
24 they turned an invoice into accounting to UMC, normally it
25 takes, if you're a medicine supplier it takes you thirty

15 1 days to ninety days to get paid maybe. If you're just a
2 regular contractor it could take you as far as six months
3 to nine months to get paid because they're so back, but
4 they were getting paid within two days to three days.

5 Q Did you talk to Lacy Thomas about that fact?

6 A Yes, I did.

7 Q And did he admit that that was the case with
8 Greg Boone's company?

9 A He did.

10 Q Did he explain why he was giving him
11 preferential treatment in the payment?

12 A He offered a couple different explanations.

13 Q What were those?

14 A He said that since he was a small company and
15 starting up that, you know, he couldn't let, you know, this
16 money float as long as others. You know. I told him, I
17 said I didn't see what services he was fronting or
18 supplying to the hospital in advance that he had to float,
19 you know, I mean there wasn't really, Greg Boone wasn't out
20 sixteen computers or anything to that extent, he was just
21 out some paperwork I guess. So Mr. Thomas then changed his
22 story a little bit and said, well, it's harder for African
23 American companies, there's not as many of them out there
24 and anything he could do to reach out and help them to get
25 ahead and to get paid on time is what he was going to do.

16

1 Q I don't know the answer to this question
2 myself, but did you confront him with the fact that he had
3 already told you that this was an experienced company in
4 the field and he was now saying this was sort of a start-up
5 fledgling company that needed his help?

6 A Yes. And you have to remember the way we did
7 the interview wasn't confrontational. I had decided before
8 that he could lie to me, you know, for five or six hours, I
9 didn't care, but I wanted him to lie to me, so I didn't
10 make it a confrontational interview just because of that.
11 So you know a lot of times when there was times that I knew
12 he was lying I would just let him lie and then write it
13 down and maybe if he came in for another interview I would
14 ask him some questions about that to see, give him some
15 time frame to see how he did. It was the best way. We
16 kept it very non-confrontational just for that reason.

17 Q So you didn't confront him with this
18 particular conflict?

19 A No. No, we didn't.

20 Q Now did you look into a contract with a
21 company called Crystal Communications?

22 A Yes, sir.

23 Q And who owned Crystal Communications?

24 A Martello Pollock.

25 Q Were you able to determine, you've already

16 1 mentioned Martello Pollock as being in this photo that was
2 taken at a wedding; is that correct?

3 A Yes, sir.

4 Q Is that Martello Pollock's own wedding or was
5 it Greg Boone's wedding?

6 A It was Greg Boone's wedding.

7 Q So you found a photo that had Martello
8 Pollock, Greg Boone and Lacy Thomas all in it?

9 A Yes, sir.

10 Q And Martello Pollock, was he from Chicago?

11 A Yes, he was.

12 Q Did you speak with him yourself?

13 A Over the phone.

14 Q You called him in Chicago?

15 A Yes, sir.

16 Q And your purpose in doing that was to find out
17 what his ties were to Lacy Thomas?

18 A To schedule an interview initially, because he
19 kept avoiding us while we were out there, and then, you
20 know, to ask him questions about what his connection with
21 Thomas was, you're correct.

22 Q Okay. What contracts had his company had
23 with -- well, what was his position in the company called
24 Crystal Communications?

25 A He was the president.

16 1 Q All right. Did he enter into a contract that
2 Lacy Thomas arranged with him?

3 A Yes, sir.

4 Q At UMC. When did that happen the first time?

5 Q Just forgive me for one second. I'm trying to
6 find the exact date.

7 Q You're looking at a report that you prepared?

8 A Yes. Yes, sir, it's my officer's report.

9 Q It's lengthy is it?

10 A It's about sixty pages. I don't want to do
11 one of these again that's for sure.

12 Q You're using that report to refresh your
13 memory; is that right?

14 A I am. It's been, I've been doing the case for
15 about fifteen months so it just keeps running through and
16 about seventy-three interviews already so.

17 Q Okay. Just take your time to find that.

18 A Okay.

19 July 22, 2005 I believe is the first
20 contract for Crystal Communications.

21 Q Okay. And what had Crystal Communications
22 agreed to do for UMC?

23 A A quick look eval.

24 Q What were they going to look quickly at?

25 A They were going to look quickly at all the

16 1 telecommunication systems that UMC had and determine if
2 they were up to date, if they needed repairs, if they
3 needed to receive new telecommunications.

4 Q Now was this for a particular project that was
5 going on at UMC; the northeast tower project?

6 A Northeast tower project, yes, sir.

7 Q So an addition was being built onto UMC and
8 this was supposed to help install the best equipment?

9 A Correct.

10 Q Telecommunications equipment?

11 A Correct.

12 Q Were they supposed to actually install
13 anything or supply anything or just give suggestions on
14 what to do?

15 A No, they were just consulting is all it was.
16 They were going to show up and do this eval and kind of
17 show them what to, look at their plans that other people
18 had done to see if the plans were correct or they needed to
19 be changed or any of that other stuff.

20 Q Were you able to determine if any reports or
21 product or deliverable was actually given to UMC in return
22 for this contract?

23 A Yes, sir, we were able to locate a report that
24 was provided by Crystal Communications.

25 Q And how long was that report?

17 1 A Let me redact that real quick if I may.

2 The scope of work was turned in,
3 meaning, you know, this is what we intend to do. It was
4 more like a bid. We located a bid for Crystal
5 Communications with a search warrant, we were able to
6 recover, and through everything that we could, it was maybe
7 a fifteen page, fourteen page bid, saying that, you know,
8 this is what we're going to do, this is all the stuff we
9 want to do, but we never found a deliverable to show what
10 they did.

11 Q So all they provided was a promise that they
12 would do stuff in the future to recommend
13 telecommunications equipment and procedures that the
14 northeast tower project --

15 A Correct.

16 Q But no -- that was never executed, that
17 contract?

18 A No, it was not.

19 Q Did they receive money for it?

20 A They did.

21 Q What was the amount of that contract?

22 A Twenty-four thousand five hundred for the
23 first contract.

24 Q Okay. Now were you able to talk to Lacy
25 Thomas about that particular contract?

17

1 A I was.

2 Q What did he say, if anything?

3 A He was very in favor of Crystal

4 Communications. He said it was a, that Martello Pollock
5 was an outstanding telecommunications guy, he was an expert
6 in his field. It was the same type of explanation he gave
7 us for Gregory Boone almost verbatim. You know, he brought
8 him out here because he trusted him and he had concerns
9 with, you know, Doug Northcutt and IT, information
10 technology, being able to do his job. He didn't think he
11 was getting the proper reports back and so he wanted to
12 bring somebody in that he could trust that was very
13 knowledgeable in the field that could look at his
14 departments to tell him what was really going on.

15 Q Did you ever go back to Chicago to look at
16 Martello Pollock's place of business?

17 A I did.

18 Q Would you describe that place of business?

19 A A single office shared with four other
20 companies.

21 Q Did he have an interest in the other
22 companies?

23 Q Yeah. Vice versa. Premier Alliance
24 Management was another company that was there and that was
25 owned by Orlando Jones and Orlando Jones was a principal in

17 1 his business, Crystal Communications.

2 Q So this was one solitary office that had five
3 companies in it?

4 A Four in it, sir.

5 Q Four in it?

6 A Yeah. The other one was an attorney and the
7 attorney's LLC.

8 Q Were you able to determine if Martello Pollock
9 had any employees in this company?

10 A None. We were able to determine that and we
11 located no employees. Sorry.

12 Q Did you speak with -- you spoke with him on
13 the phone?

14 A Never did an interview with him. We tried to.
15 He wanted to do a phone interview and I didn't want to do a
16 phone interview because I told him I didn't know who he was
17 or if I was talking to him so he never came in.

18 Q Okay. Was there a subsequent contract that
19 UMC entered into with Crystal Communications?

20 A Yes, sir.

21 Q What was the dollar amount on that one?

22 A A hundred and forty-five five fifty. A
23 hundred forty-five thousand five hundred fifty dollars.

24 Q What was the service that was supposed to be
25 provided under that contract?

17

1 A It was to provide basically the same, it was
2 almost -- it had about eighty percent of the same items
3 that the first proposal had in it in this contract. So
4 they were going to provide what they should have provided
5 in the first quick look contract, however they added a
6 couple other ones to that contract as well. So what they
7 basically were going to do the same thing they were going
8 to do in the first proposal which they never did and this
9 time I guess they were going to do it.

10 Q Did that involve also standing by and
11 overseeing the actual installation of the phones that would
12 be put in the northeast tower and making sure everything
13 was okay?

14 A It was review the wireless service
15 contracts -- there was a lot of different things that he
16 had to do in the contract. Facilitate employee training on
17 newly installed communication systems, progress manage the
18 CPE and network implementations, insure systems
19 transitions, conduct department station reviews. There was
20 a host of different things that he was supposed to do.

18

21 Q Did Martello Pollock have a local business
22 license?

23 A No, sir.

24 Q Did he have one in Chicago at this time?

25 A He did.

18 1 Q Were you able to determine whether he had
2 2 worked with Lacy Thomas before or had some working
3 3 arrangement in the past?

4 4 A I was.

5 5 Q How did you determine that?

6 6 A Well, through our research and investigation
7 7 we got a lot of things that we run people through to look
8 8 and I located Cook County deposition of a, between the
9 9 hospital board of trustees back there that had Lacy Thomas'
10 10 name in it and Martello Pollock's and Crystal
11 11 Communications' name in it, so I pulled that document in
12 12 order to see what was inside, what it was about.

13 13 Q Did it appear that when Lacy Thomas had been
14 14 CEO at Stroger Hospital in Chicago that he had hired
15 15 Martello Pollock to do similar type consulting work?

16 16 A He did.

17 17 Q Now the way you discovered this kind of thing,
18 18 the way you discovered there had been a contract between
19 19 Lacy Thomas and Martello Pollock's company, how did you
20 20 discover that?

21 21 A By Goggle. Just typing it on my computer
22 22 Goggle and some names.

23 23 Q But the search warrant that you executed, did
24 24 you find the UMC contract in the --

25 25 A Yes, sir.

18

1 Q Okay. So you found locally he had made a
2 contract with this guy and then you found later on the
3 internet?

4 A Correct.

5 Q Okay. Did anybody besides yourself ever
6 succeed in taking a statement from Martello Pollock?

7 A No one did.

8 Q Did you talk to Lacy Thomas about Martello
9 Pollock's contract compliance?

10 A I did.

11 Q And what did he say about those two contracts
12 that had been entered into?

13 A He said that he had the deliverables, they
14 were in his office. I told him that we got everything out
15 of his office and they weren't in there. He said then it
16 had to be with his assistant's office out front, his
17 secretary. We said we have everything from her office and
18 it's not in there. But he said that Martello had provided
19 him something and then he changed his story and said, well,
20 even if he didn't provide me paperwork or something he told
21 me what I needed to know.

22 Q So you couldn't verify that actual work had
23 been done?

24 A Correct. Well, I take that back. It was --
25 we could verify that the actual work that was in the

18 1 proposal was not done by talking with Ernie McKinley who
 2 was in charge of the telecommunications at UMC and he
 3 hadn't received any of the facilitating, the training of
 4 the new employees or any of the stuff called for in the
 5 contract.

 6 Q I'm going to ask the members of the Grand Jury
 7 to ignore that answer for the time being.

 8 But speaking with Lacy Thomas, what he
 9 told you Martello Pollock had done, if you would restrict
10 your answer to that, what he told you that Martello Pollock
11 had done, it was that, even if you didn't have paper, he
12 had talked to him and gained information from him?

13 A Correct.

14 Q Okay. Now did you talk to Lacy Thomas about
15 the bid process whereby Martello Pollock had gotten this
16 second contract?

17 A Yes, I did.

18 Q And had that gone through the bid process, the
19 second contract?

20 A Yes.

21 Q With Crystal Communications?

22 A Yes, it did.

23 Q Were there irregularities in that contract bid
24 process that you spoke to Lacy Thomas about?

25 A Very many, yes.

18 1 Q And what was the big irregularity in the way
2 2 that contract went to Crystal Communications and Martello
3 3 Pollock?

4 4 A It was originally attempted to be sole sourced
5 5 through the agenda, the county agenda, and was caught.

6 6 Q Okay. So was Lacy Thomas eventually forced to
7 7 put it through the approval process?

8 8 A Yes, sir.

9 9 Q And did that contract get bid out?

10 10 A It did.

11 11 Q And did anybody else bid on it?

12 12 A One other person did bid on it.

13 13 Q Who is the person who had also bid?

14 14 A Quincy Harris.

15 15 Q Does he own a construction company here in
16 16 Nevada?

17 17 A He owns a telecommunications company.

18 18 Q Yes. Excuse me.

19 And is that a company that is licensed to
20 20 do business in Nevada?

21 21 A It is a local Nevada, Clark County, business.

22 22 Q Is that a reputable business?

23 23 A Yes, very.

24 24 Q And do they in fact have big projects under
25 25 their belt that they've completed?

18 1 A Very many of them.

 2 Q Can you give an example?

19 3 A The World Trade Market.

 4 Q The big furniture --

 5 A Yes.

 6 Q -- fortress just a few blocks from here?

 7 A Yes, correct. Although three buildings he has

 8 done or is working on now.

 9 Q So he had provided telecommunications

10 consulting work for those, that project; is that correct?

11 A Correct.

12 Q And his bid in this process, were you able to

13 determine what his bid had been; was it lower or higher

14 than Martello Pollock's bid?

15 A It was lower.

16 Q By quite a bit?

17 A By fifty-nine thousand dollars.

18 Q In fact -- what's his name, Quincy?

19 A Quincy Harris.

20 Q Is he a black male himself?

21 A He is.

22 Q Did Lacy Thomas explain why he had taken the

23 higher bid?

24 A He did.

25 Q What was his explanation?

19 1 A He said that Quincy Harris' business didn't
2 2 have any hospital experience and when it came over to
3 3 telecommunications he wanted somebody with hospital
4 4 experience to do it at his hospital.

5 Q For the phone system?

6 A Correct.

7 Q Okay. And for that reason he was willing to
8 8 pay more?

9 A Or we were willing to pay more, yeah.

10 Q So you mentioned Orlando Jones and you said
11 11 that Orlando Jones had an office in the same office that
12 12 Martello Pollock had an office back in Chicago, that it was
13 13 the exact same space; is that right?

14 A Same door to enter. Right next to the door
15 15 you had the, like normally it would say one business was in
16 16 the office, well, we had four.

17 Q And did you look at the outside of the
18 18 business, the building that they were in?

19 A It was like on the fourteenth floor of a
20 20 building, yeah. There was only that one door that went
21 21 into this corner office for these four businesses.

22 Q So if there was a business in there it
23 23 couldn't have had too many employees?

24 A Correct.

25 Q Now Orlando Jones was in there too; is that