

3 1 has to be approved by the District Attorney's Office, and
2 2 if anybody had protested the bid for whatever reason, which
3 3 sometimes happened, they could not have awarded the bid,
4 4 the bid would then have to go to the Board of County
5 5 Commissioners.

6 Q Okay. So all of these entities would have to
7 7 approve the contract for it to actually take effect and he
8 8 could not enter into a contract without showing the D.A.'s
9 9 office, without getting board approval, without going
10 10 through the bid process; correct?

11 A That's correct.

12 Q All right. Now is it true that if this
13 13 resolution had not existed, that the law would have allowed
14 14 more leeway for Lacy Thomas to enter into professional
15 15 services contracts?

16 A That's correct. Professional services
17 17 contracts do not have to be bid, they still have to be
18 18 approved by the governing body, but they don't have to,
19 19 don't have to be bid.

20 Q So he could have gotten around the bid process
21 21 with contracts he was awarding for professal services if
22 22 this resolution had not been drafted; is that right?

23 A That's right.

24 Q And does this resolution specifically state in
25 25 paragraph 9 on page 3 that professional services contracts

3 1 are an exception to the, he cannot avoid the bid process
2 2 with a professional services contract?

3 A Well, what this actually says is that he
4 4 cannot use this process for professional services.

5 Q Okay. So this resolution, was it actually
6 6 signed and resolved and become controlling rule by which he
7 7 had to comply?

8 A Yes.

9 Q And this resolution was passed, adopted and
10 10 approved by the Board of County Commissioners on the 3rd of
11 11 August, 2004?

12 A That's correct.

13 Q And this document bears the signature of Chip
14 14 Maxfield, chairman of the Board of County Commissioners?

15 A Chip Maxfield was chairman of the Board of
16 16 Hospital Trustees, yes.

17 Q Okay. So after the resolution is passed there
18 18 were actually tight restrictions on Lacy Thomas' ability to
19 19 enter into contracts even for professional services,
20 20 correct?

21 A Yes, that's correct.

22 Q The contract that had caught your eye with
23 23 respect to Frasier Systems for nine hundred thousand
24 24 dollars, the proposal for a nine hundred thousand dollar
25 25 contract, would that be an example of a professional

3

1 services contract?

2 A Yes.

3 Q And because of the amount and because of the
4 nature of the contract that would be something that would
5 have to be approved by the D.A.'s office, it would have to
6 be budgeted by the county, it would have to go through the
7 Board of Hospital Trustees and the Board of County
8 Commissioners to actually get approved, correct?

9 A That's correct.

10 Q Would Lacy Thomas, after the passing of this
11 resolution, have been able to sole source out a contract
12 like that one?

4

13 A Under state law he could, but under county
14 policy he wasn't supposed to without the county manager's
15 approval.

16 Q And sole sourcing means what?

17 A Just simply selecting a vendor or a consultant
18 and entering into an agreement with that vendor.

19 Q Okay. That resolution that you just testified
20 about, wouldn't that have required him to put out a
21 contract for bid?

22 A No.

23 Q Why wouldn't it?

24 A That resolution deals with as I mentioned
25 commodity type services. Professional services agreements

4 1 under Chapter 332 are not, with some exceptions, are not
2 2 subject to the competitive bidding process. Typically for
3 3 professional services you do what is known as a request for
4 4 proposals. The reason for that is because professional
5 5 services quite often don't lend themselves to being awarded
6 6 just strictly based on the lowest price.

7 Q Okay. So under the resolution he would at
8 8 least have to go through a request for proposal process?

9 A Yes, unless the county manager gave him
10 10 permission to do otherwise.

11 Q Okay. So did it catch your attention or had
12 12 Mr. Thomas complied with that provision of doing request
13 13 for proposals on the nine hundred thousand dollar Frasier
14 14 Systems contract?

15 A Had he done that?

16 Q Yes.

17 A No.

18 Q So did that catch your attention as well?

19 A Yes.

20 Q The fact that he had failed to do a request
21 21 for proposal?

22 A Yes.

23 Q So he was breaking the rules by sole sourcing
24 24 out that contract or attempting to; is that correct?

25 A Yes.

4

1 Q All right. Now did there come a time in your
2 job duties where you also became aware of a contract that
3 Lacy Thomas was proposing to enter into with Crystal
4 Communications?

5 A Yes.

6 Q And was there something about the nature of
7 this proposed contract that raised your, or that caught
8 your attention?

9 A Again it was primarily the situation of him
10 not soliciting proposals and simply trying to do it as a
11 sole source. We were a little more sensitive to it because
12 after the Frasier contract it seemed to be more of a
13 pattern of just doing sole source contracts with, frankly
14 with people in Chicago, and so again raised that concern
15 with the county manager who my understanding had previously
16 told him to stop doing contracts like that.

17 Q Okay. The members of the Grand Jury are
18 instructed to disregard what his understanding was. You
19 will hear that straight from the horse's mouth later on.
20 That's technically hearsay.

21 You did acquire knowledge that he was
22 contracting with people from Chicago through sole source or
23 attempting to sole source these contracts out to people
24 that all seemed to have Chicago in common?

25 A Yes.

4

1 Q Okay. The Crystal contract, when you saw
2 that, it appeared to be another sole source proposal, what
3 did you recommend happen to it?

4 A I recommended to the county manager that it be
5 pulled from the agenda and that he should go back and do an
6 RFP for the service.

7 Q And RFP means he should allow other people to
8 submit proposals on whether or not they could perform that
9 contract for less money?

10 A Yes.

11 Q Okay. Did that in fact happen after you made
12 that recommendation?

13 A Yes.

14 Q So because you caught this issue before the
15 proposed contract went before the board, it did have to go
16 back and start over and go through the RFP process; is that
17 right?

18 A Yes.

19 Q Were you in on the process whereby the
20 contract was eventually awarded to Crystal Communications
21 anyway, did you know anything about that?

22 A No, I did not.

23 Q Okay. Now prior to Lacy Thomas becoming the
24 CEO out at UMC, had the county hired any outside firms to
25 provide recommendations on how to run UMC in a more

4 1 efficient manner from the standpoint of collecting revenue?

2 A Yes.

3 Q What had the county done in that respect?

4 A In approximately 2002 when the hospital was
5 having some pretty serious financial difficulties, the
6 Board of County Commissioners convened what we came to know
7 as the UMC Task Force, which was a citizens committee that
8 made a series of recommendations about the operation of
9 UMC. Part of that study, part of that task force work was
10 to hire the accounting firm of Deloitte and Touche which
11 did a pretty exhaustive study of what we at UMC call the
5 12 revenue cycle which is everything from the admitting, case
13 management, billing, medical records, collection system of
14 the hospital, essentially anything that has a direct impact
15 on the revenue collection of the hospital.

16 Q When you said a fairly exhaustive study that
17 they had done, can you estimate about how many pages that
18 report turned out to be?

19 A No offhand I don't recall that, but it was an
20 extensive study.

21 Q And did you have occasion to review it at
22 least briefly or did you go through it start to finish?

23 A Well, we went through it in quite a bit of
24 detail at that time. Of course it was over five years ago
25 but. And the task force did as well.

5

1 Q To your knowledge, were the suggestions
2 contained in that report by Deloitte and Touche implemented
3 or was an attempt made by your task force to try to
4 implement these recommendations?

5 A Yes, they were.

6 Q Did the task force consider the
7 recommendations to be well devised?

8 A Yes, they were very well thought out.

9 Q I'm going to show you Grand Jury Exhibit 6.
10 Do you recognize that document?

11 A Yes.

12 Q What is that?

13 A This is the agenda item and contract with
14 Deloitte and Touche for the revenue cycle study.

15 Q Does it indicate on there how much was going
16 to be paid to Deloitte and Touche to do this work for the
17 county?

18 A An amount not to exceed four hundred and
19 thirty-one thousand two hundred fifty dollars.

20 Q Okay. To your knowledge was most or all of
21 that paid to Deloitte for this service that they rendered?

22 A I don't know exactly how much would have been
23 paid to them, but typically it would be somewhere close to
24 what they originally estimated.

25 Q Okay. So this contract with Deloitte was

5

1 entered into when?

2 A This was entered into on November 19, 2002.

3 Q Okay. And when did we, when did the county or
4 UMC -- well, when did the county receive the product from
5 Deloitte and Touche if you know?

6 A Well, let's see here. They estimated in their
7 scope of work that the report would be completed in about
8 three months and as I recall they were generally close to
9 that time frame. It didn't take them, if it took them any
10 longer than that it was not significantly longer than that.
11 But the actual adoption of all of the task force
12 recommendations by the Board of County Commissioners
13 actually occurred in the fall of 2003.

14 Q Okay. So as of the fall of 2003 the county
15 has begun trying to implement Deloitte and Touche's
16 recommendations on how to improve the revenue stream out at
17 UMC?

18 A Yes.

19 Q Also look at Grand Jury Exhibit 7. Did you
20 bring that document to show me today before you came in
21 here?

22 A Yes, I did.

23 Q What is that document?

24 A This is a contract with a national consulting
25 firm named the Lewin Group which was also commissioned on

5 1 the same day by the Board of County Commissioners in the
2 2 amount of a hundred ninety-two thousand dollars to do
3 3 certain other operational studies of UMC and make
4 4 recommendations to the task force.

5 Q Okay. So approximately a hundred ninety-two
6 6 thousand was paid to this consulting group to also give
7 7 advice regarding other aspects of the running of UMC?

8 A That's correct.

9 Q And do you know if the task force that you
10 10 were on tried to implement these recommendations as well?

11 A Yes, they did.

12 Q And these recommendations were received when
13 13 approximately from the Lewin Group?

14 A Again I believe their study took about six
15 15 months or shorter than that, but again all of their
16 16 recommendations, the task force recommendations were
17 17 adopted a little less than a year later.

18 Q Okay. So in the fall of 2003 a total between
19 19 these two contracts of approximately six hundred and ten
20 20 thousand dollars or six hundred and twenty thousand dollars
21 21 has been spent to get some good advice on how to better run
22 22 the hospital?

23 A That's correct.

24 Q Did you consider it money well spent at that
25 25 point?

5 1 A Yes.

2 Q And did the existence of these prior
3 consulting contracts on how to better run the hospital have
4 any influence on you when you were reviewing contracts like
5 the nine hundred thousand dollar one that was proposed for
6 Frasier Systems?

7 A I can't say that one -- probably not.

8 Q Did you think when you saw the Crystal
9 Communications proposed contract or the Frasier Systems
6 10 contracts that were proposed, that they were necessary or
11 that they appeared necessary?

12 A I didn't believe the Frasier contract was
13 necessary. The Crystal Communications contract had to do
14 with the development of the northeast tower and I don't
15 know that I could make a qualitative judgment as to whether
16 that particular contract was needed or not.

17 Q Okay. So your main concern with the Crystal
18 Communications contract was that it just hadn't gone
19 through the proper process of being put out for RF --

20 A RFP, yes, that's correct.

21 Q But the Taylor, I mean, excuse me, the Frasier
22 Systems you thought was unnecessary?

23 A Yes.

24 Q Now these task force meetings that were being
25 conducted to try to improve the running of the hospital and

6

1 the revenue collection, was Lacy Thomas supposed to be
2 attending these?

3 A Lacy Thomas wasn't hired until December of
4 2003 so the task force actually completed their work and
5 made their report to the Board of County Commissioners.
6 There was, one of the directions that the board gave was
7 that the task force should meet, continue to meet
8 semi-annually and review the implementations of the
9 recommendations and also provide any additional oversight
10 or any additional recommendations regarding the hospital
11 operations.

12 Q So after he was hired in December of '03 he
13 was supposed to actually meet with your task force
14 periodically, like quarterly?

15 A Semi-annually.

16 Q Semi-annually?

17 A Yes.

18 Q Would that be twice a year?

19 A Actually it's at least semi-annually.

20 Q Okay. And that would allow the task force to
21 monitor the projects being made at UMC?

22 A Yes.

23 Q Did he do so?

24 A I don't believe so. As far as I know there
25 was only one meeting, if that, held, and then there were no

6 1 more meetings after that.

2 Q No more meetings with Lacy Thomas?

3 A Yes.

4 Q Was that something that was his choice?

5 A Well, if the board gave -- I believe that the
6 board actually gave direction that there should be meetings
7 so arguably it wasn't discretionary.

8 Q So he was supposed to be there?

9 A Yes.

10 MR. MITCHELL: I have no other questions. If
11 any member of the Grand Jury would like to --

12 THE FOREPERSON: Gil.

13 BY A JUROR:

14 Q I'd like to revisit the basics.

15 In most RFP's that I'm familiar with
16 there has been a prepared statement of work against which
17 the bids are priced. In the case of Frasier, who prepared
18 the statement of work, SOW, statement of work?

19 A I'm not sure I can answer that specifically,
20 but it appeared to me that from the agreement that I was
21 reviewing, the statement of work was actually performed by
22 the, was put together by the contractor.

23 Q By Frasier?

24 A Yes.

25 Q So Frasier was instrumental in defining the

6 1 RFP through the statement of work before the RFP was let or
2 before a contract was let?

3 A Well, in the case of Frasier there actually
4 was no RFP done. It appeared to me what actually happened
5 was that Frasier just came forward with an agreement and
6 said we will do this work for you under these terms and
7 conditions and that's how it went forward as a contract.

8 Q So there was no collective task force type
9 input in defining the parameters to which a contract was
10 developed with Frasier?

11 A I don't believe so, no.

12 Q Thank you.

13 THE FOREPERSON: Bill.

14 BY A JUROR:

15 Q Yeah. So you have, uh, uh, above your
16 objections to this Frasier, did that contract go through?

17 A Yes.

18 Q Okay. And you stated I believe that you, you
19 can't remember if you put into the e-mail whether it was a
20 forceful, your e-mail to the county manager was forceful in
21 saying that this shouldn't go through, was that what your
22 testimony was? You couldn't remember what your e-mail said
23 about whether you forcefully said not to do this contract.

24 A Well, I believe my e-mail said I did not
25 recommend that we enter into the agreement.

6 1 Q Do you have a copy of that?

2 MR. MITCHELL: We are -- well --

3 BY A JUROR:

4 Q All right. I guess what I'm saying to you
5 was, okay, you're the CFO for Clark County, the chief
6 financial officer for Clark County, so what I'm saying is
7 if you say that a contract, if you say that a contract
8 shouldn't go through and your recommendation is that it
9 shouldn't go through, wouldn't that carry some weight with
10 the county? I mean isn't that supposed to carry enormous
7 11 weight because you're the chief financial officer of the
12 county?

13 A I guess it depends on what the issue is. But
14 I raised my objections to the county manager who
15 ultimately --

16 Q So nine hundred thousand wasn't important?

17 A Well, my point is that I raised my objections
18 to the county manager who is ultimately charged by the
19 Board of County Commissioners to determine what's going to
20 go on the agenda.

21 Q Thank you.

22 BY MR. MITCHELL:

23 Q Sir, you said that the contract did eventually
24 go through, but when it went through did it go through at
25 the original nine hundred thousand dollar price?

7 1 A No, I believe the amount was reduced to seven
2 something.

3 Q Okay. You don't remember offhand what the
4 amount was?

5 A I don't remember exactly, no.

6 Q Okay.

7 THE FOREPERSON: Dan.

8 BY A JUROR:

9 Q What caused the Board of Trustees to draft a
10 resolution limiting the amount of money spent in 2004?

11 A The state law had been changed. Prior to that
12 everything had to be bid out. A number of, number of the
13 local government purchasing officials across the state
14 essentially in the interim between one session and another
15 had gotten together with some of the legislators and said
16 if we could streamline some of the processes we could
17 eliminate a lot of the complaints that we get from vendors
18 that say we don't want to bid on government work because
19 it's too much work, it costs us too much money, and so if
20 you could streamline the processes in some way it would
21 actually save the taxpayers money. So that's what caused
22 the changes in state law and the resolution was simply a
23 reflection of the changes the legislature had approved.

24 THE FOREPERSON: No further questions from the
25 Grand Jury.

7

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

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

13 Do you understand this admonition?

14 THE WITNESS: Yes.

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

17 THE WITNESS: Thank you.

18 MR. MITCHELL: Oh, I'm going to ask if I could
19 recall him to ask one or two more questions that I just
20 remembered.

21 THE FOREPERSON: You're reminded that you are
22 still under oath.

23 THE WITNESS: Yes, sir.

24 BY MR. MITCHELL:

25 Q Sir, I apologize. Did there come a time when

7

1 you had a conversation with Lacy Thomas where you were
2 discussing something that he wanted to do and you said it
3 just couldn't be done?

4 With respect to how -- whether or not
5 payments from Clark County Social Services could be
6 included in the amount of money that ACS or Superior
7 Consulting was actually collecting from UMC.

8 A Yes, I did have a conversation regarding that.

9 Q And would you explain it better than I just
10 did with my lousy question what that conversation was
11 about.

12 A I'll try. It's a little complicated.

13 UMC had entered into a contract with ACS
14 to manage the revenue cycle in which the method of payment
15 to ACS was based on a contingency fee a month, based on
16 monthly collections of certain types of patient cash and
17 insurance, and the way the contract was structured was
18 there was a monthly baseline of I believe it was
19 twenty-nine million five hundred thousand dollars, and so
20 if they collected cash above that amount they would get a
21 contingency fee of twenty percent of the excess over the
22 baseline. When I read the agreement though, the agreement
23 specifically excluded cash that was received from the
24 county from the County Indigent Trust Fund which is the
25 money that the county pays for indigent medical care to the

7 1 hospital.

2 Q That money gets paid without any collection
3 effort by ACS?

4 A It doesn't require any collection effort.
5 They of course have to bill and they have to be eligible
6 people, but there is no collection effort required because
7 it's just the county paying money essentially to another
8 agency of the county.

9 Q And so the conversation that you had with Lacy
10 Thomas concerned whether or not ACS should be allowed to
11 receive credit against their commission for money that was
12 coming automatically from the county social services
13 department; is that right?

14 A Yes. After the original contract was entered
15 into Mr. Thomas entered into what he termed an
16 administrative clarification of the agreement which will
17 allow the money from social services to be counted against
18 the baseline. And I told him that we weren't going to
19 honor the administrative clarification because it was
20 clearly a contract amendment that changed the terms of the
21 contract and in addition to being a really bad idea it
22 would have to go before the Board of County Commissioners
23 in order for us to honor that.

8 24 Q So this was something that he basically was
25 trying to slide through on his own that would end up

8 1 costing UMC more money than it was already having to
2 payout?

3 A Yes.

4 Q And basically his efforts, if they had been
5 successful, would have profited whom?

6 A It would have profited ACS, Superior.

7 Q Okay. And you were asked previously by a
8 member of the Grand Jury about the extent of your
9 involvement in the Frasier contract that did ultimately go
10 through at a lesser figure. Were you involved in that
11 directly or were you supposed to be involved in that
12 directly, in that contract process?

13 A In the Frasier contract?

14 Q Yes.

15 A No.

16 Q So your job duties were just general oversight
17 to make sure that the procedures were being followed and
18 that anything that is an obvious misappropriation of money,
19 you're trying to catch those things, correct?

20 A Yes.

21 Q Were there other people in the system that
22 were supposed to be looking very closely at these contracts
23 and determining the rightness or wrongness of them?

24 A Yes.

25 Q Who were those people generally?

8

1 A Well, generally the people, the people at UMC
2 that were involved in the contracting process should have
3 been following the county purchasing policy, of course
4 under Lacy Thomas' direction because he was ultimately
5 responsible as CEO. The difference in the ACS case, why we
6 refused to pay it on that basis that ultimately once the
7 contract is approved by the Board of County Commissioners
8 then it is up to the county comptroller to actually pay the
9 amounts out and through the operation of the county
10 comptroller's office we were refusing to do that based on
11 the, based on that amendment.

12 Q Okay. And is the, was the District Attorney's
13 Office also supposed to be reviewing the precise legality
14 of these contracts?

15 A Yes.

16 MR. MITCHELL: Okay. I have nothing further.

17 THE FOREPERSON: The admonition concerning
18 secrecy of these proceedings still applies. Thank you.
19 Again you are excused.

20 THE WITNESS: Thank you.

21 THE FOREPERSON: Please raise your right hand.

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

8 1 MR. REILLY: I do.

2 THE FOREPERSON: Please be seated.

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

7 Do you understand this advisement?

8 MR. REILLY: I do.

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

11 MR. REILLY: Thomas Reilly. T-h-o-m-a-s,
12 R-e-i-l-l-y.

13
14 THOMAS REILLY,
15 having been first duly sworn by the Foreperson of the Grand
16 Jury to tell the truth, the whole truth, and nothing but
17 the truth, testified as follows:

18
19 EXAMINATION

20
21 BY MR. MITCHELL:

22 Q Sir, are you the former manager of Clark
23 County?

24 A Yes.

25 Q And you left the employ of the county when?

8 1 A In August 2006.

2 Q Prior to leaving the county, did you have
3 occasion, or as part of your duties as county manager did
4 you have some oversight responsibilities over Lacy Thomas,
5 the CEO of UMC?

6 A Yes.

7 Q And how would you describe that relationship
8 with him running the hospital and you being county manager,
9 what were you supposed to oversee?

10 A Well, Lacy still reported to the Board of
11 County Commissioners, but we attempted to have some of the
12 administrative and financial stuff coordinated more with
13 the county.

14 Q Okay. Over the course of the time that he was
15 CEO, did you at some point develop the idea that he needed
16 more oversight than was originally thought necessary?

17 A Well, the first two years he was there when he
18 was brought in he did a fairly good job and he met the
19 budget the first two years, he improved morale in the
20 hospital, improved public relations in the hospital. So it
21 was the last year I was there, and there were several
22 things going on there, we were introducing a new
23 information system in the county, Metro, RTC, the Regional
24 Transportation Commission, as well as UMC and the airport,
25 so there were some issues around information technology.

8 1 So around the last seven or eight months I was there he
2 2 wasn't as forthright in presenting reports and he was
3 3 blaming that on our changeover in the information system.
4 4 And at that time both the chief financial officer and the
5 5 auditor were in there looking and had continued raised
6 6 concerns, so when they were bringing up issues he seemed to
7 7 be a lot less forthright than he was the first two years.

9 8 Q Okay. Now you stated that he was generally
9 9 within budget the first two years. Do you know if the
10 10 reports were accurate that showed him within budget?

11 11 A Well, they had an outside audit come in there,
12 12 but from the best we could determine, given the amount the
13 13 county was subsidizing him, he was coming in, as anyone
14 14 looks at hospital systems and knows how one year bleeds
15 15 over to another and debt can carry over for years and years
16 16 and years, sometimes it takes a while to look at that
17 17 analysis, but from the standpoint of him meeting the budget
18 18 at the end of the year and it being audited for that year,
19 19 for the first two years he was meeting it, yes.

20 20 Q Okay. You said at some point during the third
21 21 year it became evident that he wasn't being as forthright
22 22 as he was supposed to be regarding reports. Now are those
23 23 reports financial reports that he was supposed to come up
24 24 with?

25 25 A Yeah, financial reports that went to the chief

9 1 financial officer. And you know periodically there were
2 2 issues that surfaced and so the auditor was involved in it,
3 3 you know, for about two years prior to that on a host of
4 4 issues and he was really struggling getting information so
5 5 he had to invest a lot of resources to go in there. But
6 6 you know some of the initial reports that he went into he
7 7 seemed to be able to resolve and get the information to
8 8 make a determination about the issue. But towards the end
9 9 it was, he wasn't getting information. George, I mean Lacy
10 10 wasn't communicating with the financial folks and he kept
11 11 blaming it on the information system, but it was a lot of
12 12 different facets of the county that was noticeable.

13 Q After you began to notice problems with the
14 14 financial reporting aspects of UMC governance, did you have
15 15 conversations with him regarding the protocol that he had
16 16 to follow in order to enter into contracts with vendors
17 17 that were supplying the hospital with goods and services?

18 A Yes. I did. George Stevens, chief financial
19 19 officer, did, and Mary Miller, the county counsel, did.
20 20 Mary and I and I believe George on several occasions were
21 21 in the room together communicating those issues and a lot
22 22 of it centered around his authority and what approvals he
23 23 needed.

24 Q What approvals had he not been obtaining that
25 25 he needed to obtain?

9 1 A Well, I think there was instances where the
2 District Attorney's Office and as the auditor went in there
3 and George, that they were concerned about certain things,
4 certain contracts that were perhaps not following protocol.
5 And I know one -- there was two occasions where Mary Miller
6 who is the legal counsel and I were both in the room
7 talking to him and we actually referred him to the
8 resolution because the authority he had on spending could
9 only be given by the county commission. It couldn't be
10 given by anyone else, chief financial office, the county
11 manager or the county counsel, it had to be in the form of
12 the resolution and approved by the county commission. And
13 that was repeated several times.

14 Q So you had to tell him more than once that
15 there were restrictions on his authority and that these
16 things had to be passed by the District Attorney's Office
17 and the county commission?

18 A Yes. And those surfaced again through the
19 District Attorney's Office, the attorney that was assigned
20 there, or Jerry Carroll, the auditor that was in there came
21 across information, or George Stevens wasn't getting
22 reports that he needed so.

23 Q All right. I'm going to show you something
24 that I don't think you had a chance to see yet although you
25 saw it long ago I believe, but if you would look at Grand

9 1 Jury Exhibit 8. Take a good look at that and indicate if
2 2 you recognize it.

3 A Yes.

4 Q What is that document?

5 A It was e-mail from me to Lacy Thomas
6 6 expressing some concerns about an item that he wanted to
7 7 place on the agenda.

8 Q Okay. It was from --

9 A For IT. Excuse me. Information technology.

10 Q From you to Lacy Thomas?

11 A Yes.

12 Q And what is the general subject of the e-mail?
13 13 Does it concern an entity that he was trying to contract
14 14 with?

15 A Yes, with Frasier.

16 Q Okay. And did this e-mail that you generated
17 17 and sent to him result from a communication that you had
18 18 with George Stevens?

10 A The process to get an item on the agenda
19 19 required it go to an agenda team and on that team was
20 20 myself, all the assistant county managers, the chief
21 21 financial officer, the auditor, legal counsel, and others,
22 22 and so we would go through every item. So if I recall
23 23 correctly on this item, and whoever is presenting it too so
24 24 if it's a different department they would also attend the
25 25

10

1 meeting, and I believe on this one there was some concerns
2 not only from George Stevens but also from Rod Massey who
3 is chief information officer at the time, and so if I
4 recall correctly Lacy was not at the meeting, he had sent
5 one of his representatives, I asked George and Rod to draft
6 my e-mail. So they basically drafted it for me that I sent
7 onto him, so they had the specifics and then I sent, I
8 don't know if it's word for word, but given some of the
9 language and detail which I rarely had it probably was a
10 cut and paste.

11 Q So you reflected in your e-mail to Lacy Thomas
12 the concerns that had been raised by Mr. Massey and George
13 Stevens?

14 A Yes. And the agenda team. But it was mainly
15 them, those two.

16 Q Okay. Now did he respond and did this raise
17 the issue of the cost of the Frasier Systems contract that
18 was being proposed, is that what this e-mail --

19 A Yeah, I think it was the cost as well as
20 whether the resources, or what specifically the contract
21 would entail because they had an additional contract with
22 them.

23 Q Okay. Did he respond to this e-mail?

24 A He did, and I don't remember, and I don't
25 recall whether he responded specifically to me, but again

10

1 in order for it to appear back on the agenda, which I
2 believe a couple months later it did at a reduced amount,
3 it had to go back through the agenda team. So I don't know
4 whether he responded to me personally. Even if he did he
5 would have to come back before the team and explain what
6 the situation was for it to get approved. But I don't
7 recall specifically what the response was.

8 Q Okay. Mr. Reilly, showing you Grand Jury
9 Exhibit 9, prior to coming in here to testify, did you get
10 a chance to review this Grand Jury Exhibit 9?

11 A Yeah, I looked at it briefly, and again I
12 don't recall that that came -- was that an e-mail to me.
13 It looks more like his response that he was going to take
14 to the team. And even if he would have told me that, it
15 was detailed beyond my expertise so I would have it go back
16 to the team to review. So whether he gave that to me in
17 e-mail I would have forwarded it to the team and we would
18 have discussed it, but I don't recall seeing that in
19 e-mail, but that doesn't mean that it wasn't there.

20 Q Can you at the very least say that Grand Jury
21 Exhibit 9 is the response that he gave you to the e-mail
22 that you had sent him?

23 A Yes. Given -- I don't remember again
24 specifically, but this is definitely a response to what I
25 sent him.

10 1 Q And he may have handed you that piece of paper
2 already typed up or it may have come in e-mail form, you
3 don't remember?

4 A Again he was required to present that to the
5 team, so it had to go back to the team, whether he handed
6 that out in writing or verbally talked about it I'm not
7 sure.

8 Q But from reading it you do remember that that
9 was his response and this correctly reflects what his
10 response was?

11 A What his response was, correct.

12 Q And in here does he justify or attempt to
13 justify the Frasier, the third Frasier contract by saying
14 "Members of the Frasier team have proven themselves in
15 other institutions I have directed, saved my last employer
16 over a million dollars and have been able to correct
17 situations that other consulting firms would not address
18 due to the risks involved"?

19 A That is what he presented to the team, yes.
20 Again verbally I know he was presenting that, whether he
21 put it in writing I'm not sure, but that was his
22 explanation.

23 Q Now did he also talk about whether or not the
24 cost on this contract for Frasier was too high in here?

25 A I think he took issue with the e-mail and the

10 1 calculation that was brought up.

2 Q Okay. Did he say, "While their rates seem
3 high, I feel they are quite reasonable given that they are
4 a project based consulting firm with seasoned staff"?

5 A That is what he represented to the team, yes,
6 the agenda team.

11 7 Q All right. When he was making these
8 representations to you, did you know whether these
9 representations were actually true or not?

10 A No.

11 Q At this point did you have any reason to
12 disbelieve his representations as to the experience that
13 Frasier Consulting had?

14 A I didn't. And the concerns the staff were
15 bringing up wasn't at that point related to the competence,
16 it was related to what were they, you know, what were they
17 actually being tasked to do within this informational
18 system. So it -- I don't recall any discussion of anyone
19 questioning the competence of the group at this point.

20 Q Okay.

21 A But I think it was more or less, okay, we're
22 putting in this, we have another information system coming
23 on, we've had several in there, I know you're struggling
24 with it, so it's more or less the team was relying on him
25 to give them an explanation and justification and, you

11 1 know, and I think the team was more or less sympathetic to
2 the issue that they were struggling information wise so
3 they relied a lot on what he said.

4 Q Okay. If the members of the team had known
5 that this company that he was representing to be so
6 well-qualified only consisted of one person with no prior
7 experience that was running their company out of their
8 mother's garage in Chicago, would that have raised
9 sufficient concerns?

10 A It would have never got past the chief
11 financial officer or the auditor or the staff would never
12 have let it through.

13 Q Okay. Now you had participated in the hiring
14 of Lacy Thomas; is that right?

15 A I did.

16 Q Did you make an audible response?

17 A Yes.

18 Q And the purpose in hiring him, that he was
19 supposed to fulfill was what as CEO of UMC, what was his
20 main job responsibility if you could generalize?

21 A Well, it was to run the hospital. He was a
22 CEO. We employed a national recruiting firm with a
23 expertise in hospital administration because no one in the
24 county had it, we looked at trying to get the best, we paid
25 a firm, we put together a large panel of individuals of

11 1 other CEO's of hospitals, union representatives, internal
2 information, it was to get an individual who had experience
3 in running a hospital, and he was a CEO, he had full
4 responsibility, and he was the face of UMC and his job was
5 to run it.

6 Q In the hiring process and thereafter, after he
7 had actually been hired, was he made aware of the desire to
8 reverse the financial fortunes as much as possible that UMC
9 had experienced previous to his hiring?

10 A Very clearly he was given -- as I said, prior
11 to that he was given a subsidy from the county if you will
12 that he had to meet, and it was large focus of the first
13 year he was there, there is no question about it, because
14 there was still a lot of task force and oversight from
15 those groups. After he made his budget from the first year
16 and was progressing the second year a lot of those task
17 force disappeared.

18 Q Okay. Now did he hold himself out as a C.P.A.
19 in the initial recruitment and hiring process if you
20 recall?

21 A That he had a C.P.A.? I don't know if it was
22 currently or he represented that he currently was, it was
23 current, but that was, you know, the recruiting firm
24 brought him in there, that was one of the criteria we had
25 looked for, someone who had financial skills and they

11 1 touted that he had a C.P.A. Now I can't honestly say
2 2 whether he represented it or the recruitment firm
3 3 represented that it was current, but, yes, that he had a
4 4 C.P.A. and that he had a long history in financial or that
5 5 his financial abilities were good.

6 Q Was it communicated to him then that the chief
7 7 concern with running UMC was that it had been losing money
8 8 and that was one of the things that he was supposed to
9 9 reverse?

10 A Without question. And it was not only from
11 11 the county, the county commission made that very clear on
12 12 many occasions.

13 Q Okay. At some point during his tenure as CEO,
14 14 the northeast tower at UMC began construction; is that
15 15 correct?

16 A Yes.

17 Q And did you ever have a conversation with him
18 18 in which you charged him with the responsibility of
19 19 insuring that there was sufficient minority participation
20 20 in the contracting of the northeast tower project?

21 A With him personally about the northeast?

22 Q Yes.

23 A No. In general we talked in the county about
24 24 having good representation in all our contracts, being fair
25 25 and being cognizant of that. That was something that was

12

1 presented globally, not specifically to a project where --
2 and the north -- it's just something at my level I would
3 not have much understanding of or knowledge of so it would
4 be a strange conversation to have.

5 Q Okay. So you did not specifically charge him
6 to make sure that that northeast tower project or UMC
7 specifically had adequate minority representation, you did
8 not have that conversation with him?

9 A No. To have him -- no. He brought a
10 conversation to me about it, but, no, I did not charge him,
11 that was not a conversation I had.

12 Q Okay.

13 A And again I wouldn't have a clue who was
14 involved in that or what the representation of minority
15 contractors, it's not something I would have knowledge of.

16 Q Was that because your oversight over the
17 running of the hospital and the contracting was not that
18 specific, that was not your job?

19 A Well, I mean there are thirty-eight
20 departments, there is a hospital, the airport, it's not a
21 level of understanding or detail that I would have. You
22 know. The airport is building all these -- for me to start
23 looking at an individual public works project and get to
24 the detail of whether they have minority contractors would
25 just, even if I wanted to I wouldn't have time or an

12 1 ability to even comprehend and get my arms around that.

2 Q Okay. So when the county manager is asked how
3 many minority employees are on a particular project of the
4 thirty-eight run by the county, that's not a level of
5 specificity that the county manager would have?

6 A No. We are definitely concerned about our
7 representation at all levels so human resources would
8 compile reports quarterly, but not project specific, it
9 would be more department or county wide.

10 Q So if Lacy Thomas claimed that he needed to
11 change a contract that was already in place on the
12 northeast tower because you had charged him with increasing
13 the minority participation, that would be a
14 misrepresentation by him?

15 A Yes, it would.

16 Q Did you ever have a conversation with him --
17 you indicated that he came to you and initiated a
18 conversation with you about this subject generally. What
19 do you recall about that conversation?

20 A You know I don't recall a lot. I just recall
21 him talking about it in some context. I don't really
22 recall all the detail about it.

23 Q But it was a subject that he raised, not you?

24 A Absolutely.

25 Q Did he express any desire that he had to do

12

1 something about a perceived inadequacy?

2 A Not to my recollection.

3 Q Did you authorize him in that conversation or
4 thereafter to change a contract so that it would allow more
5 minority participation in the northeast tower?

6 A No. And I wouldn't have that type of
7 authority so if there was a change order there are certain
8 procedures you have to go through. It's not something that
9 I would have the ability to magically said, even if I woke
10 up one day and had all the projects in front of me, that I
11 was concerned specifically about, about the northeast
12 tower, it just doesn't make sense.

13 Q Did you ever tell him or did you and others
14 tell him that he had the ability to spend five hundred
15 thousand dollars or enter into contracts of up to five
16 hundred thousand dollars without going through the bid
17 process or the proposal process or without having any DA
18 oversight or county commission oversight?

19 A No. And as I mentioned before, county
20 manager, the chief financial officer or the county counsel
21 has no authority to say that. That's only something that
22 would be done through resolution by the county commission.
23 And for professional service contracts he had twenty-five
24 thousand dollars authority which is the same authority I
25 had. For professional service contracts. And for bids it

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1 was up to five hundred thousand, but that was through
2 various different procedures; it was specifically approved
3 by the board, it required DA approval, it required chief
4 financial officer approval.

5 Q So if he was going to make any expenditure
6 that was discretionary he could not exceed twenty-five
7 thousand dollars without meeting, without complying with
8 the requirements of the bid process, the D.A. approval,
9 hospital board approval, et cetera?

13

10 A Yeah, he had no additional authority than the
11 county had. As I said my authority was twenty-five
12 thousand, I could approve a contract up to twenty-four nine
13 nine nine and that was the same authority that he had.

14 Q And did you tell him so on --

15 A Several occasions. Mary Miller and I both
16 told him, Mary Miller, George Stevens and I all told him
17 and I told him separately, so it was a conversation we had
18 several times.

19 Q Did it become necessary to have that
20 conversation more than once?

21 A More than once. And I do recall one time, and
22 I guess it was with Mary Miller, I just said to George give
23 it to him in writing again, give him the resolution,,
24 because without question he knew that that authority could
25 only be given through the county commission, it wasn't

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1 something that any county staff person had.

2 MR. MITCHELL: I have no further questions for
3 Mr. Reilly. Does any member of the Grand Jury?

4 THE FOREPERSON: Bill.

5 BY A JUROR:

6 Q Okay. And I don't mean to show any
7 disrespect, but I'm confused about some of this. You are
8 the or were the county manager. Okay. And in essence does
9 that mean that you were Lacy's boss? Did he report to you?

10 A Yes.

11 Q Okay. So you're saying and your testimony has
12 been, if I have this right, that any of these contracts,
13 you had to tell him more than one time not to do these
14 contracts for more than twenty-five thousand. Here a man
15 that is your subordinate, that reports to you, you had to
16 tell him more than one time and you let him get away with
17 this. Is that my understanding?

18 A Whether he had actually violated or done that,
19 he brought the issue up several times so we kept repeating
20 what his authority was so when an issue came up, and I only
21 recall one time that we actually had knowledge of him
22 exceeding it, but the conversation occurred several times.

23 Q So let me go back to this then. And then, now
24 you're his superior, and on this big contract, this nine
25 hundred thousand dollar contract, you sent him e-mail and

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1 you couldn't even recall, this is a nine hundred thousand
2 dollar contract but you couldn't recall his, what his
3 response was or if he responded or whatever it was; is that
4 what you said?

5 A No, that's not it. Anything over those
6 amounts has to go before the board and so this process was
7 taking it to an agenda team to put it on the agenda for
8 consideration of the board. Anything of that amount had to
9 be approved before the board. So this was a correspondence
10 to him prior to it being placed on the agenda for
11 consideration and it was for nine hundred thousand dollars,
12 the team had concerns, we wrote him, it ultimately went
13 back on the agenda several months later at half the reduced
14 rate of the cost and that was to put it on the agenda for
15 consideration before the county commission. It wasn't
16 something I would give him approval on. And he did
17 respond, I said I didn't recall whether he responded by
18 e-mail, but he did respond to the team to review to put it
19 on the agenda.

20 Q But this wasn't important to you, it was only
21 important to the team, it was not specifically --

22 A I sent the e-mail, so yes. Clearly if you
23 read the e-mail, the e-mail was from me, it specifically
24 addressed the issue that he was to come back and justify,
25 but for him to justify to me personally would not make a

13

1 lot of sense because I don't have the detailed stuff so he
2 had to make the justification in front of the financial
3 officer, the auditor, the legal staff, et cetera.

4 Q Thank you.

5 A Yes.

6 THE FOREPERSON: Gil.

7 BY A JUROR:

8 Q At one time, Mr. Reilly, you ran thirty-eight
9 departments. UMC, the position of UMC CEO obviously is an
10 important component within the department structure of the
11 county. Would you say it ranked in the top five or ten or
12 where would you rank it personally?

13 A It was -- as far as in importance?
14 Magnitude it was one of the largest clearly.

15 Q In one of the top five?

16 A Yes.

17 Q All right. Understanding that, did Lacy
18 Thomas undergo an independent background check before he
19 was hired?

20 A He did. In fact we felt we did not have the
21 qualifications for that so we hired a firm with a
22 specialization and they brought them to us. So we didn't
23 even do the recruiting ourselves, we hired a firm that
24 specialized and had the background to recruit possible
25 administrators that did not only a personal background

14

1 check but also to interview them personally as well as
2 check references and then present those top candidates to
3 us.

4 Q I assume that was a national firm?

5 A It was.

6 Q Did they get a commission as a result and what
7 was that commission?

8 A I don't recall but they did.

9 Q They did get --

10 A Yes.

11 Q Thank you.

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.

14

1 Do you understand this admonition?

2 THE WITNESS: I do.

3 THE FOREPERSON: Thank you for your testimony.
4 You're excused.

5 THE WITNESS: Thank you.

6 MR. MITCHELL: Again could I ask that he
7 remain for an additional couple questions.

8 THE FOREPERSON: Certainly.

9 BY MR. MITCHELL:

10 Q When the contract was signed with Lacy Thomas,
11 you've indicated what was discussed and what performance
12 was given to him as the expectations for his job, was it
13 you that signed the contract that he signed, did you sign
14 on behalf of the county?

15 A It had to go before the Board of County
16 Commissioners. So either myself or one of my assistants
17 would sign and then it had to be approved by the Board of
18 County Commissioners so it actually had gone through and
19 been placed on the agenda.

20 Q All right. Did you extend the offer of
21 employment to him after he had gone through the screening
22 process?

23 A Yes.

24 Q Recruitment process. Okay.

25 Just a moment.

14

1 Mr. Reilly, I'm showing you Grand Jury
2 Exhibit 10. I'm going to ask you to look at the first two
3 pages and then at the rest of it and see if you recognize
4 those two documents.

5 A Yes.

6 Q What is Grand Jury Exhibit 10?

7 A It's the offer letter and then the agenda
8 item, the employment agreement that was taken to the Board
9 of County Commissioners.

10 Q What was the compensation package that was
11 offered to Mr. Thomas to become the CEO?

12 A Two hundred and forty thousand.

13 Q Per year?

14 A Per year.

15 Q And were there other aspects of the
16 compensation package besides just the raw salary?

17 A There was a one time signing bonus of ten
18 thousand and a relocation allowance up to ten thousand
19 dollars for documenting expenses.

20 Q And in as much as he was being hired as a
21 county employee, he would also receive insurance benefits
22 and pension benefits?

23 A Yeah. And University Medical Center had
24 slightly different benefits than the county.

25 Q Okay. But there was a benefits package in

14 1 addition to the salary and the moving expenses and the
2 bonus, correct?

3 A Yes.

4 Q Attached herewith is the contract itself; is
5 that correct?

6 A Yes. This was what would have to be approved
7 by the board.

8 Q Okay. And that set forth what was expected of
9 him in his role as chief executive officer; is that
10 correct?

11 A Yes.

12 MR. MITCHELL: All right. I'm going to ask
13 that this be fastened a little bit more permanently. And I
14 have no further questions.

15 THE FOREPERSON: Mr. Reilly, thank you again
16 for your testimony. You are excused.

17 THE WITNESS: Thank you.

18 THE FOREPERSON: Mr. District Attorney, we'll
19 take a ten minute break before your next witness.

20 MR. MITCHELL: Very well. Thank you.

21 (Recess.)

22 THE FOREPERSON: Please raise your right hand.

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

14 1 whole truth, and nothing but the truth, so help you God?

2 MR. HARRIS: I do.

3 THE FOREPERSON: Please 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. HARRIS: Yes.

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

12 MR. HARRIS: First name is Quincy, last name
13 is Harris. Q-u-i-n-c-y, Harris, H-a-r-r-i-s.

14

15 QUINCY HARRIS,

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, in what line of work are you?

24 A I'm president of Networks West Consulting.
25 We're a telecommunications consulting firm.

14 1 Q Did there come a time when you bid on a job at
2 University Medical Center?

3 A Yes.

4 Q What was it that made you aware that bids were
5 being solicited by UMC?

6 A There was a notice in the paper in the
7 business section, I noticed it, and there was a due date
8 that was pending, so I took that information and responded
9 to the bid.

10 Q Now in your line of work do you often look in
11 the newspaper in that section for bids that are being
12 solicited for projects?

13 A Periodically.

14 Q Prior to this bid proposal appearing in the
15 newspaper, had you been aware that this project at UMC was
16 even being built?

15

17 A I had no prior knowledge of the function that
18 I would have performed there. I had no knowledge of that,
19 any service prior to the actual notification in the paper.

20 Q Okay. So that was the first you'd heard of
21 that project soliciting contractors for it?

22 A That is correct.

23 Q Now what did the, what was the solicitation
24 for, what services were they asking be provided?

25 A It was a request for proposal, I don't really

15 1 recall the number, for a telecommunications consultant to
 2 provide planning, design and consulting services for UMC.

 3 Q All right. And did it have an adequate
 4 description with this bid proposal that would allow you to
 5 submit a bid for that project?

 6 A Yes. There was a contact person, if I recall
 7 the contact person was Steve Helby if I remember correctly
 8 to contact to ask for the bid or to receive the bid either
 9 via fax or via e-mail and I chose I think to receive the
 10 bid via e-mail.

 11 Q So when you looked it over did you decide that
 12 you were going to submit your company's bid?

 13 A Yes.

 14 Q What was the amount of money that you offered
 15 to perform those consulting services for?

 16 A If I recall there were several phases, I think
 17 it was right around a hundred thousand.

 18 Q Okay. Could it have been a little under that?

 19 A It could have been.

 20 Q Okay. Perhaps between ninety and a hundred
 21 thousand dollars?

 22 A Correct.

 23 Q Now when you're submitting a bid you don't
 24 know, or do you know, what bids are being submitted by
 25 other contractors that want the same job?

15 1 A I typically do not know. I'd like to know but
2 I typically don't know so.

3 Q What was it about this bid that allowed you to
4 conclude that your company was qualified to perform it?

5 A Networks West, I personally have twenty-seven
6 years telecommunications design experience, my firm has
7 been in business since 1992, we are currently providing
8 telecommunications design services for project City Center,
9 at the time of the bid we had provided telecommunications
10 services for World Market Center, very large companies, and
11 also International Game Technologies, the gaming
12 manufacturer, the world's largest gaming manufacturer, so
13 we have the requisite experience.

14 Q And the World Market Center are these
15 fortress-like buildings nearby that are built there by the
16 freeway, correct?

17 A That is correct.

18 Q So what is the composition of your company
19 personnel wise; do you have members of minorities employed
20 by your company?

21 A Yes, I do. We're a seven person firm,
22 minority owned, me being the president of course, and we,
23 the way we're established is we set up people on a
24 subcontractor basis. So every person that works for
25 Networks West is an independent contractor. So it works

15 1 for the business insofar as as the business grows I bring
2 in independent contractors to work for the firm and as the
3 business stays stable or reduces in scope or size or
4 opportunity those contracts are no longer needed on a
5 subcontract basis.

6 Q I see.

7 So the proposal that you made to UMC
8 provided that your company would do what for UMC?

9 A The proposal included providing design
10 consulting for telecommunications, telephone services,
11 coordinating lines, coordinating cabling for the new
12 facility, coordinating fiber optics, infrastructure, swell
13 as well as systems design which is one of our core
14 competencies. The firm has two core competencies, one is
15 to do planning design and project management for
16 construction which is what they was about, and the company,
17 the Networks West also has a core competency as far as
18 consulting which again is what this was about as far as
19 consulting for systems. There is a definite difference
20 between infrastructure and systems or, infrastructure
21 meaning conduit and cabling which is at the outlet
22 location, and when you plug in devices at the outlet
23 locations now you're talking about systems. That system
24 could be a telephone, that system could be a computer, that
25 system can be a security camera, any type of those devices.

15 1 So we have those requisite skills.

2 Q Okay. And you mentioned that there was
3 ongoing construction at UMC that you were going to consult
4 for. Is that a specific project?

16 5 A Well, from what I understood there was an
6 expansion of the facility at UMC so part of our job would
7 be to coordinate and work with the architect, the general
8 contractor, and other firms relative to making sure that
9 the design is in compliance with their requirements for
10 telecommunications systems and services.

11 Q Would it also entail making sure that they had
12 the best equipment or the most efficient equipment to
13 accomplish their purposes there?

14 A Yes.

15 Q Okay.

16 A Correct.

17 Q So you had the ability to suggest what stuff
18 they should actually buy and install in the new hospital
19 addition?

20 A That is correct. We feel we're the best
21 telecommunications firm in the state.

22 Q Okay. Now your company is located here
23 locally?

24 A Yes.

25 Q In the bid that you submitted to UMC -- and

16 1 when approximately did you submit that bid, do you recall?

2 A I don't recall. We submit so many different
3 bids I don't recall the actual --

4 Q Was it -- do you recall the year that it was?

5 A It was in -- was it in '05?

6 Q '05 or '06?

7 A '05, '06, yeah. We submit a lot of bids.

8 Q Did you later learn that your bid was
9 competing with a Crystal Communications company bid?

10 A Yes.

11 Q Okay. So whenever the Crystal Communications
12 bid was being submitted, that's when yours was being
13 submitted too?

14 A Correct.

15 Q Okay. If I were to represent to you in my
16 question that the Crystal Communications bid was submitted
17 into June of '06, would that be consistent with your
18 memory?

19 A Yes, it would be correct.

20 Q All right. So in the bid that you submitted,
21 did you have any expenses for travel to come in from
22 out-of-state that you included in your bid?

23 A No.

24 Q So all of the services that you were proposing
25 to provide could be done without any travel expenses

16

1 whatsoever?

2 A That is correct.

3 Q And did you come to know whether your bid was
4 higher or lower than Crystal Communications bid?

5 A Yes, I found out that Crystal Communications
6 bid was higher than Networks West.

7 Q Was it significantly higher?

8 A I thought so.

9 Q Okay. Tens of thousands of dollars higher?

10 A Yes.

11 Q Okay. Now in your experience running this
12 company and in this field of communications, is there a
13 difference between providing consulting work for a hospital
14 addition versus providing it for any other kind of
15 building?

16 A There is no difference. The basic telephony
17 system and services for manufacturing medical, office
18 building, commercial, all the same pretty much.

19 Q So whatever the needs of the hospital were, if
20 they told you what their needs were, you felt like your
21 firm would be very able to meet their needs with your, with
22 the advice that you were going to give them as a company?

23 A Absolutely.

24 Q Okay. If you were told that your company was
25 thought to be unqualified because you had never done a

16 1 hospital before, would you agree with that assessment?

2 A Absolutely not.

3 Q Okay. Had you in fact done bigger projects
4 than the hospital addition that you were submitting a bid
5 for?

6 A Yes, much bigger. We provided consulting for
7 World Market Center. Quite substantial project.

8 Q All right. And did you, do you remember what
9 the per hour billing fee was that you figured into your
10 bid?

11 A If I recall I think it was a hundred and
12 twenty-five an hour.

13 Q And what was the total amount of hours that
14 you thought that it would take to complete the contract?

15 A I think it was eighty or ninety hours,
16 whatever that number came out to be as far as right under a
17 hundred thousand.

18 Q Whatever times a hundred and twenty-five --
19 are you sure about the number of hours?

20 A Yes.

21 Q So the bid was a hundred twenty-five dollars
22 an hour and the total amount that you were proposing to
23 charge the hospital for these services was between ninety
24 and a hundred thousand dollars?

25 A That is correct.

16

1 Q So would it be that the number of hours was
2 more like seven hundred and seventy-five?

3 A That is correct, somewhere in that range,
4 that's correct.

5 Q Does that sound familiar?

6 A That absolutely does sound familiar.

7 Q You don't have the paperwork on your bid in
8 front of you today?

9 A No, but that is, that sounds reasonable.

10 Q Okay. So how long was the project supposed to
11 last and your consulting services supposed to last under
12 your bid?

17

13 A Under my bid it was supposed to last I think a
14 year. Right around a year.

15 Q And that information was given to you by the
16 hospital when you contacted them to get the particulars?

17 A That is correct.

18 Q Okay. Did Lacy Thomas or anybody else at the
19 hospital ever contact you to determine if you were truly as
20 qualified as you represented yourself to be or your company
21 was truly as qualified?

22 A No.

23 Q You did not get the bid ultimately?

24 A Correct, I did not.

25 Q And you never knew why or you were never told

17 1 any reason?

2 A Correct, never told.

3 Q Did you just assume that it was because you
4 had come in higher than some other company?

5 A That was the assumption. Typical assumption.

6 Q At the time you submitted your bid, had you
7 ever heard of Crystal Communications?

8 A No.

9 Q To your knowledge had they ever been a
10 competitor for your company here in Nevada?

11 A No.

12 Q And you have done work outside of Southern
13 Nevada, your company?

14 A Yes.

15 Q Have you done it throughout the state?

16 A Yes.

17 Q Have you done it out-of-state in fact?

18 A Yes.

19 Q And you had never heard at any time of Crystal
20 Communications?

21 A Never.

22 Q Can you name other competitors that you have
23 heard of?

24 A Sure. JBA Consulting for example would be one
25 of the competitors. John Spann is a local consultant that

17 1 I run into here and there, you know, in the city.

2 Q Okay. So you think you know who's in this
3 field of work generally, correct?

4 A Yes.

5 MR. MITCHELL: No further questions. Does
6 anybody else have questions for Mr. Harris?

7 THE FOREPERSON: Dan.

8 BY A JUROR:

9 Q How common is it for an out-of-state
10 contractor to bid another contract within another state?

11 A It's pretty common.

12 Q Something like magnitude of a hospital?

13 A Yes.

14 Q Thank you.

15 BY MR. MITCHELL:

16 Q On that point, sir, if an out-of-state
17 contractor bids on a project that's in a different state,
18 are they going to include travel expenses in their bid
19 typically?

20 A They typically do, correct.

21 Q Okay. So it's usually cheaper to higher a
22 local contractor if all things are equal?

23 A In most cases, yes.

24 Q Okay.

25 THE FOREPERSON: Dan.

17

1 BY A JUROR:

2 Q When you bid on a contact in another state do
3 you have to be licensed in that state?

4 A No.

5 Q No. Okay.

6 THE FOREPERSON: There are no further
7 questions from the Grand Jury. Does the district attorney
8 have any further questions?

9 MR. MITCHELL: What are you saying?

10 I don't.

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: Yes.

25 THE FOREPERSON: Thank you for your testimony.

17

1 You are excused.

2 THE WITNESS: Thank you.

3 THE FOREPERSON: Please raise your right hand.

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

8 MR. ANDREWS: Yes.

9 THE FOREPERSON: Please be seated.

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

14 Do you understand this advisement?

15 MR. ANDREWS: Yes.

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

18 MR. ANDREWS: William Andrews. W-i-l-l-i-a-m,
19 A-n-d-r-e-w-s.

20

21 WILLIAM ANDREWS,

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

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EXAMINATION

BY MR. MITCHELL:

Q Sir, how are you employed?

A I am the internal auditor at University Medical Center.

Q And what do those job duties entail?

A I do financial audits, performance audits, some compliance audits and also special request.

Q Do you work with Jerry Carroll?

A He is my director. Our boss.

Q All right. Do you in the auditing profession have access to a lot of records, documents, financial reports when you do audits?

A Yes, we're supposed to be able to get any document we need for the completion of the audit.

Q Okay. At some point were you contacted and interviewed regarding an investigation into the finances of UMC?

A Yes.

Q And did you become involved in performing audits to determine what had gone on in the past before you were contacted?

A I'm not sure I understand what you're asking.

Q What was it that you were asked to do when you

17 1 were contacted with respect to auditing UMC?

2 A The one audit that I started was to look at
3 the revenue cycle company we had coming in which was ACS
4 and after completion of the ASC I was asked to look into
5 various other contracts we had with some other companies
6 mainly from Chicago firms.

18 7 Q Okay. In preparing for your testimony today
8 did you have occasion to gather a number of documents and
9 reports?

10 A Yes.

11 Q As part of your auditing process did you have
12 occasion to look into a contract that was entered into
13 between UMC and Premier Management, or Premier Alliance,
14 excuse me?

15 A Yes. I was contacted by the Metro detectives
16 who were working the case and they were the ones who
17 brought up that name.

18 Q Okay. Did you actually look at the contract
19 that UMC had signed with Premier Alliance?

20 A Yes, I looked at the contract.

21 Q That contract was for how much money?

22 A Fifty-one hundred dollars.

23 Q Okay. And did you find out what that contract
24 was for, what Premier Alliance was supposed to provide?

25 A The contract stated telecommunications

18

1 consulting work.

2 Q All right. When you would look at these
3 contracts, you would determine whether or not the money was
4 actually paid out on them?

5 A At that time I could tell that money was paid
6 because when I got the contract I also got the check
7 request and I also got a copy of the canceled check.

8 Q So when the money was paid to Premier
9 Alliance, was it paid to that company by name or to a
10 person specifically?

11 A I don't remember. I don't have the -- I can't
12 remember if it was Premier Alliance or if it was Orlando
13 Jones. I believe the check was for Premier Alliance
14 Management.

15 Q Did you bring any documents related to the
16 Premier Alliance contract with you today?

17 A I don't believe I have that one with.

18 Q If you would go ahead and check and if not let
19 me know.

20 A No, I do not have that contract or that
21 canceled check.

22 Q Do you have the, or did you look at the
23 product that was received from Premier Alliance in return
24 for the money?

25 A I was never able to determine, I mean it was

18 1 consulting. What they did for that fifty-one hundred
2 dollars I have no idea.

3 Q Okay. Mr. Andrews, showing you Grand Jury
4 Exhibit 11, do you recognize that document?

5 A Yes, this is the contract for Premier Alliance
6 Management.

7 Q And in the contract it sets forth what they
8 were agreeing to do for UMC; is that right? It has a
9 portion that tells what the obligations of the parties
10 were?

11 A Right, that is correct.

12 Q And it says what the amount of the contract is
13 in there, dollar amount?

14 A That was fifty-one hundred dollars and that's
15 including expenses.

16 Q Okay. Now the contract was ultimately signed
17 by whom?

18 A Orlando Jones and Lacy Thomas.

19 Q Lacy Thomas on behalf of the hospital, Orlando
20 Jones on behalf of Premier Alliance?

21 A Correct.

22 Q And it says Orlando G. Jones, Principal; is
23 that correct?

24 A Yes.

25 Q Now the money that was paid out, I'm going to

18 1 ask you to look at Exhibit 12, do you recognize that
2 document?

3 A Yes, that's the check request requesting
4 payment for the fifty-one hundred dollars and the detail of
5 the check that was issued by accounts payable for fifty-one
6 hundred dollars.

7 Q So there is an invoice attached to that check
8 requisition?

9 A No, there is no invoice. It was just a check
10 req and the copy of the contract was attached to it.

11 Q Okay.

12 A This is internal document from our accounts
13 payable department at the hospital.

14 Q That's what is attached to this requisition?

15 A Yes.

16 Q Okay. Are you able to tell that the money
17 actually did transfer and that it went to Orlando Jones by
18 looking at it?

19 A Yes.

20 Q Okay. As part of your audit do you have
21 occasion to find out who these people were that was
22 receiving this money or these contracts?

23 A That one, because of the amount of fifty-one
24 hundred dollars, it sort of flew under the radar because I
25 was looking for higher dollar ones, and it wasn't until the

18 1 detectives from Metro mentioned that company and at that
 2 point all I did was gather a copy of the contract, the
 3 check request and the canceled check and submitted that to
 4 Metro for their investigation.

 5 Q Okay. You indicated that you were not able to
 6 determine whether or not UMC actually got anything in
 7 return for the fifty-one hundred dollars, correct?

 8 A That is correct.

 9 Q Have you ever seen this document that I'm
10 handing you?

11 A I never, I never saw this document during my
12 investigation.

13 Q Okay. Now, sir, did you investigate who
14 Orlando Jones was, the payee on the check?

15 A All I did was I did a few Goggle searches to
16 see what came up on that name, and other than the dealings
17 I had with transferring that information over to Metro, the
18 little I heard from them, that was about the extent of what
19 I knew about Orlando Jones or Premier Alliance Management.

20 Q Okay. What you learned off the internet with
21 respect to him, did you learn where he was from, where he
22 lived?

23 A Correct. Which was Chicago.

24 Q He was a Chicago person?

25 A Right.

19

1 Q All right. Now did you then begin to look or
2 did you have occasion to look into contracts that were
3 entered into between UMC and Crystal Communications?

4 A Yes. I was asked, subsequent to Lacy Thomas'
5 firing and then they terminated the contracts with the
6 Chicago contracts we did have, I was asked to do a review
7 of the invoices that were submitted after the termination
8 of the contracts.

9 Q Did you review a couple of contracts that were
10 entered into with Crystal Communications as part of this
11 review?

12 A Yes, I looked at the two contracts that we had
13 with them.

14 Q The first one that was entered into, when was
15 that? Do you have records there that show when the first
16 Crystal Communications contract was?

17 A We entered into that for it looks like a
18 period of one year, from July 1st, 2005 going onto June
19 30th, 2006.

20 Q And under that contract what was Crystal
21 supposed to provide to the hospital?

22 A They had a scope of work in there, it wasn't,
23 I don't recall it being specific other than to review a few
24 areas in the hospital. I don't have -- I don't have the
25 contract in front of me to say the specifics of it but

19 1 there was -- I don't recall a definitive deliverable let's
2 2 say they were going to deliver or they were going to
3 3 produce.

4 Q Okay. As you were reviewing these contracts,
5 5 were you looking into whether or not they were ill-advised
6 6 or were, whether they were beneficial or efficient ways of
7 7 doing business or was that not your focus?

8 A Well, the scope of what I was looking at were
9 9 the invoices that they submitted after termination of
10 10 contract, did they do any work. My interviews with the
11 11 various staff throughout the hospital, it was very
12 12 difficult to determine that yes, they did work, or no, they
13 13 didn't do work, because of the nature of what they were
14 14 supposed to be doing which was consulting.

15 Q So the consulting nature of the work made it
16 16 hard to verify what work product had been turned in if any?

17 A Correct. I did try to look at some of the
18 18 invoices to see where maybe they would have specified a
19 19 deliverable such as a report.

20 Q Okay. I forgot to show you this. Is this the
21 21 actual copy of the check that was written out to Orlando
22 22 Jones and Premier Alliance Management?

23 A This is the check, yes.

24 Q Okay. Now looking at Grand Jury Exhibit 14,
25 25 do you recognize this agreement for services?

19 1 A This is the first contract that UMC entered in
2 with Crystal.

3 Q And is there a description in there of what
4 Crystal says they're going to do for the hospital?

5 A They do have, yes, they do have a scope of
6 work in here that -- well, they were going to interview
7 various department heads to see what their needs were,
8 inventory the current telecommunications equipment we have
9 at the hospital, look at the various communication features
10 that we do have, whether it's the mail order, pharmacy,
11 voice mail system, let's see, the PBX system that we're
12 using.

13 Q Did you review this contract on a prior
14 occasion generally just to see what they were supposed to
15 provide and --

16 A No, that was sort of outside the scope of the
17 work I was doing.

18 Q Okay. You were mainly trying to determine if
19 they did any work on this contract?

20 A Correct.

21 Q But reading the service that they were
22 offering, if you have an opinion on this say so and if you
23 don't say so, but did it appear that they were offering to
24 do anything that couldn't be done by going to county
25 employees and asking the same questions?

19 1 A I believe we could have done it in-house or
2 2 with the assistance of additional county people.

3 3 Q People that were already on county salary?

4 4 A Correct.

5 5 Q Okay. Because Crystal was offering to find
6 6 out what telecommunications equipment the county had and
7 7 they were asking to be paid for that under the contract, is
8 8 that --

9 9 A That is correct.

20 10 Q Was there any reason why UMC staff couldn't
11 11 provide all of that information free of charge?

12 12 A I believe they had the knowledge to tell what
13 13 we had.

14 14 Q All right. Could UMC staff also have provided
15 15 suggestions as to what equipment was needed or what
16 16 communication issues existed over there?

17 17 A Yes.

18 18 Q How much was Crystal Communications paid for
19 19 this first contract that they got with UMC?

20 I'm sorry, I removed it from your eyes.
21 21 I should have left it there.

22 22 A Oh, I thought what we actually paid but the --
23 23 no, I can give you the information. The contract, the
24 24 contract specified that they were to get paid twenty
25 25 thousand two hundred fifty, plus forty-one hundred dollars

20

1 in expenses.

2 Q What were the expenses supposedly for?

3 A The expenses would be their travel back and
4 forth from Chicago, hotel, rental car, meals.

5 Q And was that money actually paid out to them?

6 A We did pay, I'm not sure how much we paid from
7 that, I mean I have a listing here but I didn't break it
8 down to by contact.

9 Q Okay. Well, this, the contract you've already
10 identified, the first one with Crystal states on the face
11 that it was entered into on the 21st day of July; is that
12 right?

13 A That is correct.

14 Q Do you show when payments started to be paid
15 to Crystal?

16 A First payment we made to Crystal was November
17 of 2005.

18 Q So it would be approximately four months after
19 this agreement was entered into?

20 A That is correct. But that would have been
21 approximately two months from submission of the first
22 invoice.

23 Q Okay. So two months after you were billed you
24 started paying?

25 A That is the date of the invoice. That doesn't

20 1 mean we received it at that point.

2 Q Okay. I see.

3 But it looks like not long after this
4 contract was entered into UMC began paying Crystal?

5 A Correct.

6 Q All right. Now did Crystal subsequently enter
7 into another contract with UMC?

8 A Yes, they did.

9 Q When was the second contract entered into if
10 you know?

11 A Yeah, the term of that started at July 1st,
12 2006. It did not have a specific termination date other
13 than they said it was going to take seven hundred and
14 seventy-five hours to complete the job.

15 Q Okay. Now that would be about a year after
16 the first contract had been entered into, correct?

17 A That is correct.

18 Q So would you conclude from the fact that
19 payment started to be made in November of '05 that those
20 payments were being made on the first contract?

21 A Yes.

22 Q Because the other one was still eight months
23 away from entered into?

24 A That's correct.

25 Q All right. Would it appear then from your

20

1 records that the payments were fully made on this first
2 contract just judging by the chronology?

3 A I believe that they were getting to the point
4 where, they were reaching, with the first contract with the
5 expenses added in they could not exceed twenty-four
6 thousand three hundred and fifty dollars.

7 Q And are you able to tell whether that contract
8 was ever passed by the D.A.'s office or went through the
9 hospital board for approval or was that not part --

10 A It was under twenty-five thousand so they
11 probably just approved that one. I don't think that went
12 to board approval. I don't recall. But I don't believe it
13 did.

14 Q All right. Now going back to the first
15 contract, who signed this contract on behalf of the
16 respective parties?

17 A For Crystal Communications Martello Pollock
18 signed it and for University Medical Center Lacy Thomas.

19 Q Mr. Andrews, showing you Grand Jury Exhibit
20 15, I'm going to ask you if you recognize this document.

21 A This is the second contract we entered into
22 with Crystal Communications.

23 Q When you say we, you're talking about UMC?

24 A University Medical Center, correct.

25 Q That's your employer?

20

1 A Correct.

2 Q Now you've already testified to the dates.
3 Who signed this second contract?

4 A For Crystal it was Martello Pollock and for
5 UMC it was Lacy Thomas.

6 Q Okay. What is the amount that was set forth
7 in this second contract?

8 A Second contract was based on it being
9 consulting hours at a hundred fifty dollars an hour for
10 seven hundred and seventy-five hours, that came to a
11 hundred and sixteen thousand two hundred fifty dollars,
12 plus expenses that were not to exceed twenty percent of the
13 fee, which would have been an additional twenty-three
14 thousand two hundred fifty dollars, which meant the
15 contract could not exceed one hundred thirty-nine thousand
16 five hundred dollars.

17 Q Now the expenses that were proposed to not
18 exceed twenty percent of the rest of the contract, what
19 were the expenses supposed to be for?

20 A Again the same thing, for airline fare back
21 and forth from Chicago to Las Vegas, hotel, car rental and
22 food.

23 Q Did you ever have occasion to compare this
24 contract against one that had been submitted by Quincy
25 Harris's company for the same work?

1

1 A Yes, I did review that.

2 Q And was the Crystal Communications contract
3 for substantially more money?

4 A Yes. They had, I don't recall the exact
5 amount of the variance on there, but they were, their
6 consulting rate per hour was less, plus they did not have
7 the added expenses.

8 Q So the consulting rate for Quincy Harris's
9 company was a hundred twenty-five dollars an hour and for
10 Crystal Communications it was a hundred fifty dollars an
11 hour?

12 A I believe that's what it was, what it was for
13 Quincy Harris.

14 Q You know that's what it was for Crystal?

15 A Correct.

16 Q A hundred fifty --

17 A That is correct.

18 Q -- an hour plus expenses for travel; is that
19 right?

20 A Right.

21 Q Okay. Now did this contract get fully paid on
22 or was it terminated prior to -- well, it didn't have an
23 ending date you said; is that right?

24 A Technically, no, it did not.

25 Q Okay. Was that something that caught your

1 attention that there was no --

2 A Well, when I was reviewing the invoices I
3 noticed that they canceled the contract prior to Crystal
4 getting seven hundred and seventy-five consulting hours,
5 whichever time frame that was going to take.

6 Q Okay. Was the termination of the contract
7 because of the fact that Lacy Thomas was fired and all the
8 Chicago area contracts were terminated at the same time?

9 A Correct.

10 Q Mr. Andrews, showing you Grand Jury Exhibit
11 16, do you recognize this document?

12 A Yes, that's the, I believe our materials
13 management department put this together to compare the bid
14 between Networks West and Crystal Communications.

15 Q And is this something you would normally look
16 at when you're doing an audit?

17 A For this particular, yes, I would definitely
18 look at this.

19 Q And this document purports to compare the two
20 contracts monetarily, correct?

21 A That is correct.

22 Q And shows the difference in cost between the
23 two; is that right?

24 A Correct.

25 Q And one side shows a hundred thirty-two seven

1 1 hundred eighty, a hundred thirty-two thousand seven hundred
2 2 and eighty dollars, and the Networks West is ninety-six
3 3 thousand eight hundred and seventy-five dollars?

4 A That is correct.

5 Q Okay. From an auditor's standpoint would this
6 6 raise questions with you?

7 A We would normally go with the lowest
8 8 responsive bidder and of course responsive is, that's up
9 9 for argument, that the company can, are they able to do the
10 10 job.

11 Q Okay.

12 A Just because they're the lowest bidder, that
13 13 doesn't necessarily mean that the hospital would have to go
14 14 with them. However, with the discrepancy in that and with
15 15 the, after reading what the Networks West qualifications
16 16 are it would be hard to dispute going with Crystal rather
17 17 than Networks West.

18 Q You mean it would be hard to justify or hard
19 19 to dispute?

20 A Hard to justify, correct.

21 Q And you actually looked into the respective
22 22 qualifications of the two companies?

23 A I did look through Networks West's proposal.

24 Q Okay. And you compared it against Crystal's?

25 A Correct.

1 Q All right. Are there standards that govern
2 your profession? Are there things you would call best
3 practices or something, some buzz word for a term that is
4 used to describe the best way to do things?

5 A For something like that we'd have to still
6 adhere to the Nevada statutes as far as going out to bid
7 and looking at the lowest responsive bidder and also going
8 through the, what the evaluation team would, how they would
9 determine, why they would choose one over the other.

10 Q Okay. And if one's aim is to spend money most
11 efficiently and thriftily on behalf of the hospital, would
12 that lead to any conclusions about whether or not it was
13 advisable to award the contract in this case to Crystal
14 Communications given that their bid was so much higher?

15 A No.

16 Q Okay. So your conclusion would be that if
17 you're looking out for the financial well-being of the
18 hospital, which decision would be the right one?

19 A Again looking at that, the proposal, I would
20 have taken Networks West only because of what I felt their
21 qualifications were. After looking at the proposal they
22 did build the, they did do the telecommunications for the,
23 that World Furniture Mart which is a huge building and if
24 they did something like that I would say they are more than
25 qualified to do something the size of our northeast tower

2 1 which they were, which they put a bid in for.

2 Q And they were substantially lower in their bid
3 as well?

4 A That is correct.

5 Q And no travel expenses were being --

6 A It's a local company so we'd have none.

7 Q All right. Showing you Grand Jury Exhibit 17,
8 is this the bid documentation that came from Networks that
9 you looked at in comparing them with Crystal
10 Communications?

11 A Yes, this is Network West's.

12 Q And is this one of the documents you looked at
13 to arrive at the conclusion that you just gave about the --

14 A That's correct, I did look at that.

15 Q Now did you also have occasion to look at the
16 ACS contract that UMC had entered into?

17 A Yes, I actually did an audit on the revenue
18 cycle which was ACS.

19 Q All right. And ACS had another name that they
20 went by when they first contracted with UMC.

21 A That was Superior.

22 Q Okay. And Superior was bought by ACS?

23 A I believe just prior to the signing of the
24 contract or right after the signing of the contract ACS
25 purchased Superior.

2 1 Q Now did you eventually look into where ACS was
2 2 headquartered?

3 A I don't remember. I don't think their
4 4 headquarters is in Chicago. I think Superior worked out of
5 5 Chicago. I think ACS is Dallas. I don't remember right
6 6 now.

7 Q Okay. But Superior out of Chicago was the
8 8 contractee with UMC when negotiations were first entered
9 9 into?

10 A Correct.

11 Q And when the contract was signed then ACS
12 12 bought Superior?

13 A That is correct.

14 Q Superior is a Chicago company?

15 A You know again I don't know. I can't recall
16 16 where Superior is located.

17 Q Okay. Did you look into whether or not, and
18 18 if not please say so, but did you look into whether or not
19 19 Lacy Thomas had any connection with the owners of Superior?

20 A I, that I don't know. I believe he had a
21 21 prior relationship with them working in Chicago when Lacy
22 22 was over in Cook County or Stroger Hospital.

23 Q Did you reach that conclusion based on some
24 24 research you did?

25 A There was, I believe when I did some internet

2 1 searches on Goggle again I could see past documents or
2 something that they had, they worked with Superior.

3 Q When Lacy Thomas was --

4 A Back in Chicago.

5 Q -- working with Stroger Hospital?

6 A Correct.

7 Q All right. Now sir, after ACS or Superior and
8 then ACS entered into a contract with UMC, were there
9 alterations to that contract or modifications later on?

10 A Yes, they made two amendments after the
11 initial contract was signed.

12 Q Okay. Did you familiarize yourself pretty
13 thoroughly as to exactly what the amendments accomplished?

14 A Yes. Because I was reviewing the invoices
15 submitted by ACS for payment and I'd have to not allow some
16 of what they were claiming to be exceeding the baseline or
17 revenue toward their commissions.

18 Q After ACS -- was ACS terminated, was their
19 contract terminated after Lacy Thomas was fired?

20 A Yes. We did, on the second amendment we did
21 put in a clause to terminate them which meant if they had
22 five consecutive months that they fell below the baseline
23 or exceed the baseline in their performance we were allowed
24 to terminate the contract.

25 Q And it was eventually terminated?

2 1 A That is correct.

2 Q Did the amount of money that they were
3 claiming from UMC become a subject of litigation after you
4 terminated them?

5 A They did file a lawsuit to get their payments.

6 Q Okay. Looking at Grand Jury Exhibit 18, is
7 this a copy of the initial contract with Superior?

8 A Yes, this is Superior's first contract with
9 UMC.

10 Q And under this first contract how was ACS or
11 Superior supposed to get paid? How or could they earn
12 money under this contract?

13 A They had to exceed the baseline which in the
14 contract was twenty-nine million five hundred thousand, so
15 what that meant is that if any cash postings for that
16 month, that particular month, exceeded 29.5 million, they
17 received twenty-five percent commission of anything over
18 that amount.

19 Q Now what was it that they were doing to get a
20 commission? What were they in charge of under the
21 contract?

3 22 A They were in charge of the whole revenue cycle
23 which it includes starting from when a patient presents at
24 the hospital, they need to be admitted, that's part of the
25 revenue cycle, that would be called like a front end

3 1 process, then after the patient is entered into the
2 hospital they're seen by, whether it's in-patient or
3 out-patient they're still seen by a doctor, now their
4 medical, they have to have a medical record, so they were
5 over the medical records department, that medical record
6 needed to be coded so this, they were over the coding
7 department which was inside of the medical records. We
8 had, for instance if they could not pay, if they did not
9 have a pay source we have an eligibility and financial
10 counselor department which ACS was over.

11 Q So to summarize, every way that UMC had of
12 collecting money they were put in charge of?

13 A Ultimately to submit a bill when a patient was
14 discharged from the hospital, everything that would lead up
15 to getting that bill prepared is part of the revenue cycle.

16 Q And so whatever money was generated in
17 whatever manner in collecting from the patient, that's what
18 the UMC commission or the ACS commission was supposed to be
19 based on?

20 A That is correct.

21 Q And they had to collect more than twenty-nine
22 million five hundred thousand in a month to gain a
23 commission?

24 A Correct.

25 Q All right. Now was that, did ACS in the first

3 1 months after the contract was signed -- and when was that
2 contract, when did that one begin?

3 A That was effective July 1st, 2005.

4 Q Okay. And thereafter did ACS make money under
5 that contract for the first several months?

6 A No, they were not, they were not exceeding the
7 baseline, but we also had issues because of what they were
8 trying to count or qualify towards their baseline.

9 Q Let me ask you another question. Did you have
10 occasion to look during your audit at whether or not
11 collections went up or down under ACS's guidance?

12 A Well, under the, the way the contract was set
13 up, it was based on exceeding postings for the month, and
14 that was 29.5, so comparing that to the previous year, ACS
15 actually did approximately six million dollars less than we
16 did on our own the year prior to ACS taking over the
17 revenue cycle.

18 Q So that's in the first year's performance they
19 did six million dollars less?

20 A That is correct.

21 Q Okay. Here's another question. Was there
22 already in place at UMC a bill collection department and
23 other departments that were involved in the very same work
24 that ACS was hired to oversee?

25 A Yes. We had directors over the admitting,

3 1 over medical records, over the business office that did the
2 billing, did the follow-up.

3 Q Okay. And when I say ACS, I'm meaning that as
4 interchangeably with Superior.

5 A Correct.

6 Q All right. Now if so, did it become an issue
7 that they were not making any money under the contract
8 because their billings, their collections were not
9 exceeding twenty-nine million five hundred thousand per
10 month?

11 A Yes, that was a big issue and that's why there
12 seemed to be so many questions or that's why we had
13 amendments to the original contract.

14 Q Who initiated those amendments?

15 A You know I believe it was just done by Lacy,
16 Lacy Thomas, and also under the, I believe ACS wanted this
17 too, but it was just because of all the arguments that were
18 going back and forth with ACS, or, I'm sorry, with Lacy and
19 county management, because they would not allow for
20 instance ACS to take credit for Clark County Social Service
21 payments that UMC received.

22 Q Okay. And UMC was receiving those without any
23 collection effort involved, correct?

24 A That's not entirely true. I mean we had to,
25 to collect money under Clark County Social Services we had

3 1 to use due diligence at least attempting to get the
2 financial information from the patient, make sure they
3 qualified for Clark County social service payments and we
4 would submit an application and then submit that to Clark
5 County Social Services who in turn would evaluate it and
6 say that this patient or this particular patient is
7 qualified for Clark County social services, therefore we
8 get payment on that.

9 Q But that was already happening before ACS came
10 on; is that correct?

11 A That is correct.

4 12 Q So the money that was coming in from Clark
13 County Social Services was not affected in any way by ACS's
14 performance?

15 A No, they were not going to let's say enhance
16 the revenue coming in from Clark County Social Services.

17 Q Okay. So you mentioned that at some point,
18 either through the initiation of Lacy Thomas or through
19 ACS, an attempt was made to modify the original contract;
20 is that right?

21 A Correct.

22 Q I'm showing you Grand Jury Exhibit 19. Do you
23 recognize that document?

24 A That was what they tried to pass through which
25 is sort of like what we call a memo of understanding.

4 1 Q This is a two-page document, correct?

2 A That is correct.

3 Q And it says regarding administrative
4 clarification of agreement to improve University Medical
5 Center revenue cycle performance.

6 A That's correct.

7 Q Dated May 26 '05. Is that right?

8 A Correct.

9 Q And whose signature is on this?

10 A Lacy Thomas for University Medical Center and
11 Robert Mills who is the vice president of ACS.

12 Q Now this proposal attempted to change the
13 original contract how?

14 A They made some clarifications how they were
15 going to handle some of the, let's say the outside vendors
16 that we were utilizing at the time to assist us in maybe,
17 follow-up on billing or collections, but the biggest one
18 was that they were going to include the Clark County Social
19 Services in the baseline that they would get credit for for
20 exceeding the baseline.

21 Q So they were going to try and add the money
22 that Clark County Social Services was sending anyway and
23 add it to the revenue that they were collecting to add to
24 the total so they would go over the baseline?

25 A Correct. Because the first contract

4 1 specifically omitted Clark County Social Service as part of
2 their revenue base.

3 Q Okay. Now did this effort to change the
4 contract succeed, did it actually go through?

5 A No, because it was material in nature, that's
6 when they decided they had to do a new contract.

7 Q Who decided that?

8 A I believe it was county management. That was
9 sort of outside of my realm of who I deal with.

10 Q Would Jerry Carroll have been involved in
11 whether or not this was going to be a modification of the
12 original contract?

13 A Yeah, Jerry Carroll was involved. George
14 Stevens was involved in that.

15 Q Okay. And the county essentially refused to
16 allow the contract to be altered in that manner?

17 A That is correct.

18 Q Did ACS at any point ever exceed that baseline
19 on their own without including Social Services money?

20 A They did one month for the first year they
21 were here and that was March.

22 Q March of?

23 A 2006.

24 Q All right. Was March an unusually good month
25 for them?

4 1 A March we had approximately thirty-two million
2 dollars in postings which was because of the revision of
3 the first, the first amendment, it dropped the baseline
4 from twenty-nine million five hundred thousand to
5 twenty-eight million, so they exceeded the baseline by over
6 four million dollars, consequently receiving twenty-five
7 percent of that which was a million plus in commissions.

8 Q Okay. Now how did that baseline get lowered?
9 You mentioned that that had happened. Was that the first
10 amendment that --

11 A That is correct. And that was from the
12 arguments they were having back and forth of should they
13 count Clark County Social Services or they should not have
14 it as part of their baseline.

15 Q So just to clarify, we've had testimony about
16 the initial contract and then you were testifying about the
17 initial attempt to modify that contract which did not
18 succeed.

19 A Correct.

20 Q And now you're saying that a subsequent
21 attempt to modify the contract did succeed, correct?

22 A Right.

23 Q And you're calling that the first amendment of
24 it?

25 A That is correct.

4

1 Q All right. I'm going to show you a document
2 in a second.

3 Showing you Grand Jury Exhibit 20. Is
4 this a copy of the first successful amendment of the
5 original contract?

6 A Yes, this was the first amendment that was
7 approved by the board.

8 Q And right on the front sheet it shows the
9 lowering of the baseline amount to twenty-eight million; is
10 that right?

11 A Right, to compensate for what they claimed the
12 loss of not being able to claim Clark County Social
13 Services.

14 Q All right. And this was signed by?

15 A It was submitted by Lacy Thomas from UMC.

16 Q So Lacy Thomas actually was the proponent of
17 this agreement?

18 A That is correct.

5

19 Q So he was trying to help ACS make more money
20 from UMC?

21 A It appears that's what he was doing.

22 Q Even though ACS was failing to collect as much
23 money as the county had been or UMC had been collecting
24 before ACS came on?

25 A That is correct.

5 1 Q And this was signed by both parties and went
2 into effect; is that right, this first amendment?

3 A Right. It went into effect because it, we now
4 started discovering, after I'm looking into the contract,
5 after Jerry Carroll was looking into the contract, George
6 Stevens was involved in this, we were discovering that the
7 initial contract never accounted for spikes which would
8 mean, let's say ACS had one good month and they would
9 receive a commission on that and then they'd have two
10 months that they fell below the baseline, they did not get
11 penalized for that. So what would happen is UMC would end
12 up paying, they could have paid a million dollars in
13 commission, however the next month they could have fallen
14 two million below the baseline and not been penalized. So
15 we discovered that this is not fair to UMC so we put in an
16 averaging, quarterly average, however the first amendment
17 stated that the quarterly average would start in April
18 which meant because ACS had one good month in March, they
19 received that one million plus commission.

20 Q All right. Now under the way it was when they
21 got their commission on the month of March, did that
22 arrangement initially allow them to save up their billing
23 for one month and post a big collectable amount in one
24 month when they had been very low in other months and then
25 earn a lot of money on that one month?

5

1 A Well, I can't say for sure they did something
2 like that, but there is, you could see there would be the
3 potential for them to see that maybe one month they were
4 doing bad so they could hold off on billings for that month
5 and save them for the next month.

6 Q And they would suffer no penalty for the bad
7 months?

8 A Under the first contract, no.

9 Q Okay. Now after the baseline was lowered by
10 the first successful amendment, was there another amendment
11 that became successful after that?

12 A They had the second amendment only because of
13 additional arguments that we started finding with the
14 revised, the first revision that they did.

15 Q And what problems did you find with the --
16 were there any problems with the first revision other than
17 the averaging problem that you talked about?

18 A They did not address how refunds were going to
19 be handled. For example, in March when they did exceed the
20 baseline we actually, we actually had to pay back over
21 three hundred and sixty-six thousand dollars to insurance
22 companies or patients. And what happens on something like
23 that is sometimes an insurance company will send us an
24 additional payment in error, well, we get the payment, we
25 cash it, we later discover that they paid us twice on it or

5 1 maybe the insurance company discovers it later and they
2 2 request for us to give the money back, because we have cash
3 3 flow problems based on any given month, if we had a lot of
4 4 money or we had good cash flow we could pay back more of
5 5 these duplicate payments. So what happened in March,
6 6 because we did so well we paid back three hundred and
7 7 sixty-six thousand dollars in refunds, however ACS did not
8 8 want to net that amount from their postings. So I had to
9 9 talk with their director and said we'd essentially be
10 10 paying you over ninety-one thousand dollars in commissions
11 11 for the three hundred sixty-six thousand dollars we had to
12 12 pay back to insurance companies.

13 Q So ACS was in charge of the collection from
14 14 the insurance companies so it was their own failure to
15 15 catch the double billing that was resulting in the refund
16 16 having to be paid, correct?

17 A That is correct.

18 Q And yet they were profiting off of that
19 19 mistake?

20 A They set up a, their own query from our
21 21 computers to capture this information of postings to
22 22 various financial classes, however they did not include
23 23 refunds.

24 Q Okay.

25 A But the query that I would look at had these

5 1 refunds.

2 Q Okay. So did you become personally in charge
3 of sort of catching this loophole?

4 A Yes.

5 Q And bringing it to somebody's attention?

6 A Yes. However we already, at that time we
7 already -- well, we did know, we did not pay -- we did not
8 pay that month on the refund. They -- I think they were so
9 happy that they finally received a commission check they
10 said we're not going to quibble over this, however they did
11 later.

12 Q Okay. But after you saw the potential for
13 them to profit from double billing their own mistakes in
14 the billing, you thought that you needed to alter the
15 contract again to prevent that from happening in the
16 future?

17 A To specifically address refunds.

18 Q Okay. So in the next modification, the second
19 successful amendment, what was it that was accomplished by
20 that amendment? And I'm showing you Grand Jury Exhibit 21.

21 A I forgot to mention one other aspect of the
22 first amendment was that we had another company who was
23 working in our eligibility department qualifying patients.
24 That was Great Lakes Medicaid.

25 Q Is that a company out of Chicago?

6 1 A That is another company out of Chicago. They
2 were not -- ACS was not to get commissions on work done by
3 other companies coming in trying to collect money. However
4 the moneys that they, that Great Lakes was bringing into
5 the hospital, it was going towards the baseline for ACS, so
6 essentially we were paying Great Lakes a commission on that
7 dollar, plus we were paying ACS a commission on that
8 dollar. So here we are having a cash flow problem and
9 everyone is taking our money.

10 Q Okay. And Great Lakes, was that a company
11 that had been contracted with by Lacy Thomas as well?

12 A That is correct.

13 Q So you tried to correct these three problems
14 with the second amendment to the contract; is that right?

15 A That is correct. But also during that time
16 frame of the first amendment we had a sale of bad debt
17 which created another problem.

18 Q Okay.

19 A And obviously because we sold these various
20 accounts to this other company, however patients were still
21 paying the hospital, so technically that money did not
22 belong to UMC, which if it did not belong to UMC it did not
23 belong to ACS in their baseline, so I kept deducting that
24 and they kept arguing that.

25 Q Tell me if I summarize this correctly. ACS

6 1 had sold off the bad debt to a company called Orion; is
 2 that correct?

 3 A Correct.

 4 Q And there has been prior testimony about this.
 5 And that gave Orion the sole right to collect on those bad
 6 debts that were sold?

 7 A That is correct. That money belonged, any
 8 collection that was made from those accounts belonged to
 9 Orion.

 10 Q And ACS received a commission for having, for
 11 conducting that sale with Orion, correct?

 12 A Well, they claim for facilitating the sale.

 13 Q For being a broker of that sale of bad debt,
 14 correct?

 15 A That was their contention.

 16 Q Okay. Had that ever been contracted for that
 17 they would be able to sell off bad debt and receive a
 18 commission on the sale?

 19 A That was never in the original contract or any
 20 subsequent contracts with ACS. In fact when I first
 21 started doing the audit on ACS I did interview Bob Mills
 22 and he told me at that time he was going to look into
 23 selling these old accounts to an agency and he was going
 24 to, what he called a value added, meaning he was not going
 25 to charge UMC for this service. But that later changed

6 1 once they got the bid in for the sale.

2 Q How much did they make by selling the bad debt
3 off to Orion, what commission did they charge?

4 A They -- well, they got, like they got
5 twenty-five percent of the first three million that UMC got
6 and then they got fifteen percent of anything over three
7 million.

8 Q So how much money did that end up being for
9 them?

10 A They received one million one hundred and
11 sixty-one thousand dollars and change.

12 Q And Lacy Thomas never objected to them
13 collecting this extra million plus dollars that was not in
14 any contract?

15 A I happened to be in a meeting one day with the
16 people from ACS and also our contracts management people
17 and I remember Lacy coming in that day when this was board
18 approved and he was pretty happy telling ACS that they
19 just, that the sale went through, that it was approved and
20 they're going to get their commission.

21 Q Okay. Now while that was happening that this
22 bad debt had been sold off, some of those bad debts were
23 turning out to not be bad debts because those customers
24 were still paying on those debts?

25 A Some of them had pay arrangements with UMC,

6 1 some of them had liens already attached and they were
7 2 making payments on that.

3 Q Okay. So did it appear that good debt had
4 been sold with bad debt?

5 A Yes.

6 Q Okay. And UMC had lost the ability to collect
7 on the good debt by selling it off allowing, well, allowing
8 ACS to broker that deal with Orion?

9 A That's correct.

10 Q So did you try to address that problem as well
11 with your second amendment of the contract?

12 A That the second amendment, I don't -- I'm
13 trying to think. I don't believe that was initially --

14 Q Okay.

15 A Just a second.

16 Q Yeah, looking, you're looking at Grand Jury
17 Exhibit --

18 A This is the second amendment.

19 Q All right.

20 A It --

21 Q Let me just look here.

22 This is Grand Jury Exhibit 21, correct?

23 A Okay. This one does not specifically mention
24 anywhere about Orion on here.

25 Q All right. But never at any time was ACS

7 1 given the right contractually to collect a commission on
2 2 the sale of debt of any kind, correct?

3 A Well, I'd have to say there was never anything
4 4 in the contracts that we had with them. You might be able
5 5 to make the argument that since they were over the revenue
6 6 cycle that they, this is something they could do, but this
7 7 would have to be a decision made by, once they brought it
8 8 to the CEO, which was Lacy at the time, he would have to
9 9 make the ultimate decision to say yes, let's go ahead and
10 10 do this.

11 Q Okay. So when the second amendment was
12 12 completed, what had been accomplished; what loopholes had
13 13 you closed or what improvements had you made on the
14 14 original agreement?

15 A Well, we still tried to make improvements on
16 16 how we determined what ACS gets credit for, what, for
17 17 instance like Great Lakes Medicaid gets credit for, how we
18 18 address refunds, but we still ran into problems because we
19 19 had so many people coming in taking our money or trying to
20 20 collect a commission that it became very difficult for me
21 21 to determine what amount goes to Great Lakes, what amount
22 22 goes to ACS, and they even tried to set up some sort of
23 23 agreement in this second amendment how ACS would actually
24 24 get credit for Great Lakes, however they would give Great
25 25 Lakes their commission. ACS would pay Great Lakes the

7 1 commission out of pocket, not UMC.

2 Q So you had ACS wanting to take over the
3 function being performed by Great Lakes and then be in
4 charge of reimbursing Great Lakes their commission?

5 A I believe that this was done just to eliminate
6 that problem of the arguments of what Great Lakes gets
7 credit for, what ACS gets credit for.

8 Q Now as you're looking into this as an auditor,
9 was there anybody working on this problem other than you
10 trying to figure out who gets what amount, what Great Lakes
11 gets --

12 A All I do once we start doing the contracts, I
13 would take my concerns to Jerry Carroll and then we go to
14 George Stevens and say this is the problem we're having.
15 What was happening was ACS was submitting invoices that
16 they believed that they were due commissions and I would
17 look at them and say no, because they're including for
18 instance money that Great Lakes Medicaid was responsible
19 for or various refunds or for instance an Orion payments
20 having deduct those.

21 Q Were you the only watchdog on this that was --

22 A I was the only one attempting to protect the
23 best interest of UMC.

24 Q Would it be fair to say that Lacy Thomas was
25 not performing that or not being careful about the way ACS

7 1 was collecting money from UMC?

2 A Either Lacy or his, at that time his CFO
3 Richard Powell, they were approving all the invoices.

4 Q Okay. Now was there an attempt to give ACS a
5 flat management fee every month no matter how they did?

6 A Yes. The first amendment addressed that and
7 they mae that retroactive from day one that they came
8 aboard which was July 1st, 2005.

9 Q So that is something that we didn't talk
10 about, but it was part of the first amendment to the
11 contract?

12 A That is correct.

13 Q So that allowed them to receive profit that
14 they hadn't earned because they hadn't met their baseline,
15 but just by virtue of it was given to them free in the
16 first amendment?

17 A Yes. I guess they were looking at it as a
18 management fee.

19 Q How much was that management fee?

20 A Twenty-five thousand a month.

21 Q So when this was included in the first
22 amendment it was after eight months of substandard
23 collections?

24 A Correct.

25 Q Below the baseline collections?

8 1 A That is correct.

2 Q And so they were retroactively giving
3 twenty-five thousand dollars a month for eight months
4 meaning three hundred thousand dollars -- well, no, two
5 hundred --

6 A We did pay them two hundred thousand in a lump
7 sum, but that was for the period of July 2005 through
8 February 2006.

9 Q Okay. And then the next month was March and
10 that was their good month?

11 A Right. We did pay them the management fee for
12 March. We also paid them the management fee for April and
13 May. But because we were having problems after that we
14 just stopped payment. I don't believe we ever made another
15 payment to them.

16 Q On the management fee?

17 A That is correct.

18 Q But the management fee being put into the
19 contract and made retroactive, who is responsible for that?

20 A That was Lacy Thomas.

21 Q Okay. At some point, sir, did you attempt to
22 tally up a total amount of money that UMC had paid ACS one
23 way or the other based on this contract that Lacy Thomas
24 had entered into with them?

25 A Yes. And for exceeding the baseline in the

8 1 one month, the eleven months of management fees we paid,
2 2 plus the commission that they received from the sale of bad
3 3 debt, we paid them two million four hundred fifty-four
4 4 thousand three hundred and forty-six dollars.

5 Q And this was money that wasn't being expended
6 6 at all before they were hired to take over the revenue
7 7 stream?

8 A Correct.

9 Q And in fact their performance was below what
10 10 it had been without them, correct?

11 A That is correct.

12 Q And look at Grand Jury Exhibit 22. Does that
13 13 reflect what you just said? Is this the breakdown of --

14 A Yes, this is my work sheet of the invoices
15 15 that were paid to ACS.

16 Q Okay. Now you mentioned that even after they
17 17 were terminated from the contract that they were still
18 18 claiming more money and that's currently a matter of
19 19 litigation?

20 A That is correct.

21 Q What is the nature of their current claim
22 22 against the county that is in litigation?

23 A What I have here is that they're looking for
24 24 one million eighty-five thousand four hundred and
25 25 eighty-one dollars.

8 1 Q And what are they claiming they did in order
2 to merit that amount of money?

3 A What they're saying is their professional fees
4 for the period of May through October of 2006 which would
5 be considered exceeding the baseline, that was eight
6 hundred and eighty-five thousand four hundred and
7 eighty-one dollars, and the other one would be their
8 management fees from June 2006 through January 2007 of two
9 hundred thousand dollars, and UMC would not dispute that
10 part of it, the management fees part.

11 Q That's the part that UMC had unilaterally
12 stopped paying?

13 A What happened is we discovered in March after
14 we paid them their commission for exceeding the baseline
15 that the reason they got so much, that included like Great
16 Lakes Medicaid, also payments from Orion that were later
17 discovered, I said this, the way it was -- it was just so,
18 it was just so, such a quagmire of how everything was being
19 posted or claimed that I couldn't determine initially that
20 their baseline in March included Great Lakes Medicaid. I
21 did some further research and realized that they were
22 counting that in their financial class.

23 Q And that's how they had gotten over the
24 baseline?

25 A Not necessarily. They just, what happened is

8 1 that it looks like it was included in their baseline which
2 2 I have that we actually made an overpayment of over a
3 3 hundred and sixty-seven thousand dollars to them. So
4 4 because we made an overpayment we weren't paying any of the
5 5 management fees at that point.

6 Q To compensate for the overpayment?

7 A Correct. And they weren't returning the
8 8 hundred and sixty-seven thousand to us.

9 Q Okay. So as it sits right now they're still
10 10 claiming those management fees that you withheld to
11 11 compensate for the overage and they're claiming that they
12 12 went over the baseline eventually and they should have been
13 13 paid their commission on those over the baseline months; is
14 14 that right?

15 A Correct.

16 Q Now one or two more questions.

17 As time went on would the amount that
18 18 UMC would bill for certain medical services go up? Would
19 19 you raise your rates at UMC?

20 A Are you referring to our, like our room rates
21 21 or --

22 Q Any kind of rates.

23 A Well, yes, obviously with inflation and
24 24 whatever cost of living, the prices did go up, whether it
25 25 was supplies or salaries, which meant we'd have to, our

9 1 contracts that we had with our insurance companies we'd
2 have to increase their rates.

3 Q So just by virtue of inflation and rising
4 hospital rates, the amount collected from patients and all
5 the other revenue sources was going to be going up
6 naturally because of cost increases; is that right?

7 A With all, with everything held that way I
8 would, you would believe that our cash collected in the
9 future years would be higher than the previous year.

10 Q Okay. Now was the contract ever modified to
11 reflect the fact that the baseline should go up because the
12 fees that were being billed were going up?

13 A Yes, they put in a six hundred thousand dollar
14 escalation at the beginning of every new fiscal year.

15 Q Okay.

16 A So it would be in July, July 1st their
17 baseline would automatically jump up six hundred thousand
18 dollars.

19 Q Okay. So UMC entered into that or agreed to
20 that modification of the contract?

21 A Correct.

22 Q And Lacy Thomas agreed with that specifically?

23 A Correct.

24 Q Okay. Did you have occasion to analyze that,
25 whether that six hundred thousand dollars was fair or

9 1 whether it was too small of a jump to reflect the --

2 A I never looked into that aspect. That was
3 beyond the scope of what I was doing. That was -- I don't
4 remember when they initially set that up. I can't remember
5 if that was, if that was included in the original contract.
6 I don't remember now.

7 Q Okay. But their current claim is that -- does
8 their current claim factor in the fact that they had to
9 raise the baseline by six hundred thousand? I mean were
10 they claiming that they made the amount over the baseline
11 even after figuring in the six hundred thousand dollar
12 increase?

13 A Yes. But remember now the initial baseline
14 was twenty-nine five, it dropped to twenty-eight million,
15 and then because of additional, the additional contract,
16 their new year which, their new fiscal year beginning July
17 1st, 2006, the baseline was actually twenty-seven million
18 nine hundred and fifty thousand so that was below the
19 first, the first contract, it was below the second
20 contract, and now it's even reduced further and that's if
21 you're including the six hundred thousand escalation.
22 Because we kept having to make concessions to them because
23 we were taking away these accounts that they wanted to
24 qualify towards their baseline.

25 Q And those were accounts that they were never

9 1 supposed to have in the first place?

2 A That is correct.

3 Q Okay. So would it be fair to say today that
4 you still don't know how much money you're losing to ACS or
5 going to lose to ACS because of this ongoing dispute over
6 whether or not they've done the job or earned that money
7 that they're claiming?

8 A That's correct. I don't know what's going to
9 be the outcome. According to my figures, with the
10 overpayment that we made in March and the management fees
11 we owe them and the few months that they did exceed the
12 baseline, we owe ACS just a little over two hundred and
13 sixty-six thousand dollars. And like I said they're
14 claiming over one million dollars we owe them.

15 Q Would you be able to conclude whether or not
16 UMC lost a lot of money by hiring ACS to come in and
17 oversee revenue collection?

18 A Yes, we did. Like I said they did six million
19 dollars less than we did the previous year, not to mention
20 the payments that we made for them for the first year they
21 were on-site which was over 2.4 million dollars, and also
22 they were to implement, part of the job besides collecting
23 or helping increase the cash flow to UMC, they were to
24 implement best practices throughout the whole hospital,
25 that's in regards to the revenue cycle, and that never

9 1 materialized.

2 Q So if we add up the money that they collected
3 that was less than had been previously collected and the
4 money that was paid them under their contracts, are we
5 approaching ten million dollars of loss?

6 A One, two --

7 Q I'm including in my question the lost
8 collections.

9 A Yeah, that would be, yes, because I'm looking
10 at like, like 8.5 and if you add the other lost
11 collections, yeah, I guess we could conservatively say ten
12 million.

13 Q Okay. I have no further questions.

14 Wait a second. Do I have further
15 questions?

16 Just a moment.

17 Sir, I'm going to have about five
18 minutes more of questions for you here.

19 A Okay.

20 Q And then I'm going to be done.

21 I'm going to ask you about the contracts
22 with Frasier Systems.

23 A Okay.

24 Q Did you have occasion to look at the contracts
25 that UMC had entered into with Frasier Systems and

10

1 determine how much money had been paid out and what had
2 been received in return?

3 A Yes. That was part of, just like with Crystal
4 Communications I was looking at Frasier, of their invoices
5 that they submitted subsequent to the termination of their
6 contract.

7 Q Okay. And they were terminated when Lacy
8 Thomas was terminated?

9 A Shortly thereafter.

10 Q Showing you Grand Jury Exhibit -- let's see
11 here -- showing you Grand Jury Exhibit 24, do you recognize
12 that document?

13 A That is the first contract that we entered
14 into with Frasier which they called the so-called quick
15 look evaluation.

16 Q And this was signed by Thom Reilly; is that
17 right?

18 A Well, all Thom Reilly, he's just saying that
19 this agenda is submitted by him. This contract itself was
20 is a contract that Frasier Systems itself prepared, which
21 it's not unusual, but Greg Boone from Frasier signed it and
22 Lacy Thomas from UMC signed it.

23 Q So then Lacy Thomas gave it to Thom Reilly to
24 submit as an agenda item?

25 A Right. Why that was done that way I don't

10 1 know. Maybe Lacy couldn't be there that day. I'm not
 2 sure.

 3 Q But the contract itself was signed by Lacy
 4 Thomas?

 5 A Correct.

 6 Q With Greg Boone.

 7 And is it true that this contract
 8 entered into only called for a quick look and it actually
 9 says in quotation marks, a quick look evaluation of UMC's
 10 operational infrastructure?

 11 A Right. It was for five weeks starting in
 12 August of 2004.

 13 Q And how much was paid to Greg Boone to do this
 14 quick look of the information systems at UMC?

 15 A The contract stated was forty-two thousand
 16 dollars plus expenses not to exceed twenty percent which
 17 totaled eight thousand four hundred, so that meant the
 18 total contract was fifty thousand four hundred.

 19 Q And did those expenses include a lot of travel
 20 from Chicago back and forth?

 21 A It would be the same types of travel that
 22 Crystal was being paid for.

 23 Q Okay. And the receivables that was
 24 generated -- excuse me. Did you determine whether we
 25 received anything in return for that fifty thousand

10

1 dollars?

2 A They did do a presentation, a Power Point
3 presentation and they presented it to the UMC
4 administration and also to our, once a month we have a cost
5 centers managers meeting and that was presented.

6 Q Now looking at Grand Jury Exhibit 23, is that
7 the Power Point presentation that they gave in return for
8 the --

9 A Yes, this is what they presented.

10 Q And that was actually not they but Greg Boone?

11 A Correct, Greg Boone from Frasier.

12 Q Okay. And subsequently -- and that contract,
13 did you say when that was entered into?

14 A That was, it was starting August, August 3rd,
15 2004.

16 Q And that was a very quick expiring contract;
17 is that right?

18 A Right.

19 Q So then after the fifty thousand dollar
20 contract, was there another contract entered into with Greg
21 Boone, between Greg Boone and Lacy Thomas?

22 A Yes, this is the second contract that was
23 specifying that they develop a PMO department which was a
24 project management office.

25 Q And look at Grand Jury Exhibit 25. Is that

10 1 the contract that memorialized that agreement?

2 A Yes, this is the second contract.

3 Q Did UMC actually pay Greg Boone on this
4 contract?

5 A Yes, they did.

6 Q How much did they pay Greg Boone on this
7 contract to develop a PMO office or PMO?

8 A Well, the contract stated that he would get
9 paid two hundred and forty-two thousand two hundred
10 dollars, plus expenses not to exceed twenty percent of the
11 fees which totaled forty-eight thousand four hundred and
12 forty dollars, and that meant that the contract could not
13 exceed two hundred and ninety thousand six hundred and
14 forty dollars.

15 Q Okay. And was any deliverable ever given to
16 UMC in return for this almost two hundred and ninety
17 thousand dollars?

18 A The contract stated that they were to do like
19 a, what they called a PMO charter, do some customized
20 temporary plates, do a project inventory, and do
21 communications strategies and reports. I never saw any of
22 those. I believe that Ernie McKinley from our information
23 systems department did say that, yeah, they had those. But
24 I don't, I'm not an expert, I couldn't tell you if it was
25 worth the amount that we paid.

11 1 Q Ernie McKinley has already testified so.

2 And again was a third contract entered
3 into with Greg Boone doing business as Frasier Systems?

4 A Yes. And that one was, that was for the term
5 of February 1st, 2006 and terminating on January 31st,
6 2007.

7 Q Now before that contract was entered into was
8 there one attempted for nine hundred thousand dollars?

9 A That was my understanding that they tried to
10 get one through for nine hundred thousand.

11 Q Okay. But ultimately was there one entered
12 into between Lacy Thomas and Greg Boone for substantially
13 less than that?

14 A Yes. The terms, or the compensation terms
15 were four hundred and three thousand plus expenses that
16 could not exceed twenty percent which that totaled eighty
17 thousand six hundred, so the total contract could not
18 exceed four hundred and eighty-three thousand six hundred
19 dollars.

20 Q Was that money actually paid out?

21 A That's -- yes, we did pay that out. Now I
22 don't believe that we paid out the full amount but --

23 Q Do you have invoices to show what the total
24 amount was that was paid to Greg Boone between the three
25 contracts?

11

1 A We paid Greg Boone a total of seven hundred
2 and eighty thousand dollars three hundred and forty-three
3 point fifty-eight. I'm sorry. That's seven hundred eighty
4 thousand three hundred forty-three and fifty-eight cents.

5 Q And the second two contracts were for the
6 project manager's office; is that right?

7 A That is correct.

8 Q To structure it and implement it?

9 A Right.

10 Q And was that ever, was that done?

11 A You know I don't know, I really don't know if
12 we have one now.

13 Q But Ernie McKinley would be the one who would
14 be able to testify?

15 A Right.

16 Q Okay. Is Grand Jury Exhibit 26 a copy of the
17 third contract?

18 A Yes, that is correct.

19 Q Okay.

20 A They had to do that third contract because he
21 was running out of money from the second contract. In fact
22 some of the invoices that were submitted under the third
23 contract was work he did in the period of the second
24 contract.

25 Q So that money had already been paid to him

11 1 under the second contract, but he had submitted invoices
2 for it in the third contract; is that right?

3 A Right, because he already would have exceeded
4 the second contract.

5 Q Okay. I have one more document and I'm done.

6 A JUROR: Could we take a break. I've got to
7 go to the bathroom.

8 A JUROR: No.

9 BY MR. MITCHELL:

10 Q Did you do a spread sheet that showed all the
11 payments made to Greg Boone and Frasier Systems, listed
12 them in chart form?

13 A Yes, I did. Because I got copies of all the
14 actual checks that were paid.

15 Q Okay. And that's how you derived that total
16 figure that you came up with?

17 A That is correct, that's how I came up with --

18 Q Is that reflected in Grand Jury Exhibit 27?

19 A That is correct.

20 MR. MITCHELL: Okay. No further questions.

21 THE FOREPERSON: Pat, did you have a question?

22 BY A JUROR:

23 Q My question is who was paying the employees
24 that were doing this work? Was it coming from -- are they
25 still on UMC payroll or were they on Frasier?

11 1 A Are you talking about --

2 Q ACS, the revenue cycle.

3 A Right.

4 Q Who was paying the employees?

5 A ACS employees?

6 Q The employees that were doing the work for the
7 revenue cycle.

8 A That would have been, because ACS came in,
9 they did have a crew in there and ACS was paying them, so I
10 mean they were dependent on exceeding the pay line and
11 getting commissions so they could pay their staff. I mean
12 they were having problems, I mean the staff had to, I mean
13 they were doubling up on their apartments because they just
14 couldn't, they didn't have the money to pay for all that.

15 A JUROR: I have one last.

16 THE FOREPERSON: Yes, Bill.

17 BY A JUROR:

18 Q Okay. Just so that I'm clear, the first
19 amendment to that contract --

20 MR. MITCHELL: Is that the ACS?

21 BY A JUROR:

22 Q For the ACS, was that approved by the hospital
23 board?

24 A Yes.

25 Q Okay. And the second amendment was also

11 1 approved --

2 A That is correct.

3 Q -- by the hospital board.

4 And each of these contracts with Frasier
5 Systems, except for the first quick one, all, the number
6 two and number three, were approved by the hospital board?

7 A I believe -- wasn't there an agenda item
8 attached to the first? If there was then all three were
9 approved by the board.

10 Q Okay. That's my question.

11 THE FOREPERSON: Gil.

12 BY A JUROR:

12 13 Q Mr. Andrews, in doing an audit, you generally
14 engage not only in the physical aspects of an audit but you
15 engage in the process.

16 A That is correct.

17 Q Retrospective, your retrospective
18 investigation of the subject UMC contracts, did your audit
19 include a review of the, or did your audit trail include a
20 review of the process that each of these contracts went
21 through to ascertain that they met statute and commission
22 requirements?

23 A Are you referring to looking at like the
24 invoices submitted by Crystal and Frasier, is that what
25 you're referring to?

12

1 Q Not the invoices but the approval of the
2 contracts as they evolved into actual contracts and
3 invoices.

4 A What I did look at is that these still need to
5 be, go through the approval process meaning they have to be
6 presented before the County Board of Commissioners.

7 Q You went through that process?

8 A Yes.

9 Q Thank you.

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.

24 Do you understand this admonition?

25 ///

12

1

THE WITNESS: Yes.

2

THE FOREPERSON: Thank you for your testimony.

3

You are excused.

4

5

(Proceedings adjourned, to reconvene

6

at a later, undetermined time.)

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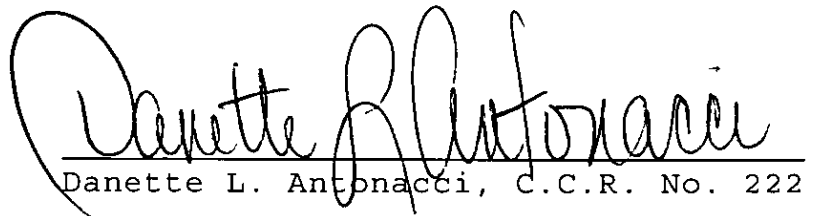
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REPORTER'S CERTIFICATE

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 12, 2008.


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.

Danette L. Antonacci
Signature

2/12/08
Date

Danette L. Antonacci
Print Name

Official Court Reporter
Title

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EIGHTH JUDICIAL DISTRICT COURT

FILED

CLARK COUNTY, NEVADA

FEB 21 8 17 AM '08

ORIGINAL

BEFORE THE GRAND JURY IMPANELED BY THE AFORESAID
DISTRICT COURT

0241569

THE STATE OF NEVADA,)
)
)
Plaintiff,)
)
-vs-)
)
LACY L. THOMAS,)
)
Defendant.)

Case No. 07AGJ094A

Taken at Las Vegas, Nevada

Tuesday, February 19, 2008

12:45 p.m.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

VOLUME 4

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

CE15

11 1 GRAND JURORS PRESENT ON FEBRUARY 19, 2008:

2

3

JOHN WHESDOS, Foreman

4

GILBERT EISNER, Deputy Foreman

5

RANAE WESTON, Secretary

6

ELIZABETH MURPHY, Assistant Secretary

7

WILLIAM BRZEZINSKI

8

RICHARD CASE

9

GARY CUTLER

10

FELICIDAD GEAGA

11

KATHY GAINES

12

DOUGLAS JONES

13

PAT LOPES

14

AMELIA MAALOUF

15

JAMES MCHUGH

16

DANIEL NICK

17

KURT NICOLA

18

KENT WILLIAMS

19

20

Also present at the request of the Grand Jury:
21 Scott Mitchell,
22 Deputy District Attorney

23

24

25

11

1

INDEX OF WITNESSES

2

3

Examined

4

MARY-ANNE MILLER

9

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

11

1

INDEX OF EXHIBITS

2

3

Grand Jury ExhibitsIdentified

4

5

1A - amended proposed Indictment

7

6

3 - e-mails

5

7

4 - instruction

5

8

13 - copy of check

5

9

10

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11 1 LAS VEGAS, NEVADA, TUESDAY, FEBRUARY 19, 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, a
10 clarification of a few things before, at one o'clock we're
11 going to have a very brief witness, it's going to be Mary
12 Miller who has already testified. She's going to come in
13 and answer three or four questions and then that will be it
14 and you'll be able to deliberate. Before that we're going
15 to clear up just a few things here.

16 There is a little bit of confusion on
17 the record about what Exhibit 13 is. Exhibit 13 is the, is
18 a photocopy that was identified by Bill Andrews when he was
19 testifying of the check that was written out to Orlando
20 Jones of Premier Alliance. It's a copy of both sides of
21 the check. That's 13.

22 Exhibit 4 is the statute that defines
23 theft which I have read you the relevant parts of on prior
24 Grand Jury proceeding occasions.

25 And then Exhibit 3 is an exchange of

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THE STATE OF NEVADA,
Appellant,
v.
LACY THOMAS,
Respondent.

APPELLANT’S APPENDIX
Vol. II

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INDEX

	VOLUME	DOCUMENT	PAGE NO.
1			
2			
3	III	Case Appeal Statement, filed 7/1/11	745-747
4	III	Decision on Motion to Dismiss, filed 6/3/11	736-742
5	III	Defendant's Motion to Dismiss (Double Jeopardy), Filed 2/11/11	607-613
6	III	Defendant's Motion to Dismiss the Indictment (Failure to Present Exculpatory Evidence) filed 2/11/11	614-640
7			
8	III	Defendant's Reply to State's Opposition to Motion to Dismiss, filed 3/28/11, filed 663-668.....	663-668
9	III	District Court Minutes of 2/28/11 (All Pending Motions).....	522
10	III	District Court Minutes of 3/22/10 (Jury Trial)	523
11	III	District Court Minutes of 4/28/11 (All Pending Motions).....	735
12	III	Indictment, filed 2/20/08.....	514-521
13	III	Motion to Dismiss, filed 2/11/11	597-606
14	III	Notice of Appeal, filed 7/1/11.....	743-744
15	III	Recorder's Transcript of 4/2/10 (Jury Trial-Day 10) Filed 8/9/10	524-588
16			
17	III	Recorder's Rough Draft Transcript of 4/8/10 (Status Check- Resetting Trial Date) filed 7/15/11	589-596
18	III	Recorder's Rough Draft Transcript of 2/22/11 (All Pending Motions) filed 7/15/11	641-645
19			
20	III	Recorder's Rough Draft Transcript of 4/7/11 (Status Check At Court's Request) filed 7/15/11.....	669-671
21	I	Reporter's Transcript of 1/15/08 (Grand Jury) Filed 2/21/08	1-162
22			
23	I	Reporter's Transcript of 1/22/08 (Grand Jury) Filed 2/21/08	163-250
24	II	Reporter's Transcript of 1/22/08 Continued (Grand Jury) Filed 2/21/08	251-361
25			
26	II	Reporter's Transcript of 2/12/08 (Grand Jury) Filed 2/21/08	362-495
27	II	Reporter's Transcript of 2/19/08 (Grand Jury) Filed 2/21/08	496-500
28			

1	III	Reporter's Transcript of 2/19/08 Continued (Grand Jury) Filed 2/21/08	501-513
2	III	Reporter's Transcript of 4/28/11 (All Pending Motions) Filed 7/15/11	672-734
3	III	State's Combined Opposition to Defendant's Motions to Dismiss Based on Double Jeopardy and Alleged Failure to Provide Exculpatory Evidence, filed 3/17/11	653-662
4	III	State's Opposition to Defendant's Motion to Dismiss Based on Alleged Multiplicity, filed 3/17/11	646-652
5			
6			
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CERTIFICATE OF SERVICE

I hereby certify and affirm that this document was filed electronically with the Nevada Supreme Court on August 29, 2011. Electronic Service of the foregoing document shall be made in accordance with the Master Service List as follows:

CATHERINE CORTEZ MASTO
Nevada Attorney General

DANIEL J. ALBREGTS, ESQ.
Counsel for Respondent

STEVEN S. OWENS
Chief Deputy District Attorney

BY /s/ eileen davis
Employee, District Attorney's Office

SSO/J. Patrick Burns/ed

5 1 Q Did you yourself at that time know what the
2 personal relationship was between Bob Mills of ACS and Lacy
3 Thomas, did you ever have any personal knowledge?

4 A I had no personal knowledge, no.

5 Q So you stuck your neck out and promised that
6 those other agencies would not lose that ability to collect
7 on that revenue that they were actually being paid for; is
8 that right?

9 A That's correct.

10 Q Did your promise hold true ultimately?

11 A Ultimately it didn't. After the prebid
12 conference there was the bid opening week ten days later,
13 I'm not sure of the exact date, and at that point there
14 were three respondents that showed up for the bid opening.
15 One of them being Orion who know one had any indication
6 that these people even existed, let alone that they were
16 going to bid.
17

18 Q Okay. And who made the decision to enter into
19 a contract with Orion?

20 A After the bid opening, basically the decision
21 was made based on the highest bidder which turned out to be
22 Orion, but there was some conversation amongst those that
23 were at the bid opening as to why Orion was bidding
24 significantly higher than the second place bidder,
25 somewhere in the vicinity of three million dollars. There

6 1 was, I think it was apprehension by several of us,
2 2 including myself, that the bid was out of line based on
3 3 what the other two respondents bid. And so we discussed it
4 4 a little bit and I mentioned, I brought up that it states
5 5 in the RFP, the request for proposal, that we are not
6 6 required to accept a bid, that we could reopen it again or
7 7 just decline any of the respondents.

8 Q Now let me stop you. Who is at this meeting
9 where this discussion is taking place?

10 A Ross Fidler.

11 Q Ross Fidler works for ACS?

12 A ACS representative. Don.

13 Q Haight?

14 A Haight, Correct. UMC attorney,

15 Q He's a contract negotiator too?

16 A That's correct. There was three bid
17 respondents, Orion being one of them. The other two I have
18 listed in here who responded, but I don't recall off the
19 top of my head who they are.

20 Q So Lacy Thomas is not at the meeting?

21 A I don't recall him being at the meeting, no.

22 Q So your concern in looking at the Orion offer
23 is that they are bidding so much more money than everybody
24 else that you're wondering why they are willing to pay so
25 much for that contract; is that correct?

6 1 A That's correct. My interpretation of the way
2 the RFP was presented was it was "as is sale," you're
3 buying, you know, a pig in a poke basically, and since it
4 was a considerable amount of old debt involved, we'd have
5 been out of statute for filing suit or out of statute for
6 refiling with a credit report, it didn't seem to me logical
7 to be bidding that much money on that type of debt.

8 Q Because these debts were, as you thought they
9 were truly bad debt and virtually uncollectable because
10 they had been tried so -- they had been exhausted?

11 A Yes.

12 Q Okay. And so you're puzzled as to why they
13 would buy debt that nobody has been able to collect thus
14 far and that's the concern that you raised?

15 A That was the concern, yes.

16 Q Now what was the result of you raising that
17 concern in that meeting?

18 A The result of that was that Don Haight, as I
19 started to present an argument to support my position, Don
20 Haight made an off-the-cuff comment to Ross Fidler, well,
21 you guys have a vested interest in accepting the highest
22 bid because you stand to gain monetarily. I don't remember
23 the exact words. But at that point I came to the
24 conclusion that there was some other things going on
25 outside of my area that I was not privy to and my argument

6 1 would fall on deaf ears.

2 Q So Don Haight was a contract negotiator for
3 UMC and he said to ACS representative in this meeting, you
4 want to award this contract to Orion because you're going
5 to financially benefit from awarding this contract to
6 Orion, he said that in the meeting; is that right?

7 A That's correct.

8 Q And what was the response of Ross Fidler, the
9 man from ACS?

10 A I don't believe he responded to it. He just
11 ignored the comment.

12 Q Okay. Did that comment later turn out to be
13 true?

14 A Yes, it did.

15 Q What was the benefit that ACS got from selling
16 the accounts receivable, the dead, the bad debt account to
17 Orion, what was the benefit that ACS got?

18 A They were to be paid a percentage of the sale
19 up to three million dollars and then a different percentage
20 for any sale proceeds over the three million dollars.

21 Q So ACS was, the higher the bid was from Orion
22 the more money ACS would make for themselves?

23 A That's correct.

24 Q And had it been ACS that had suggested Orion
25 in the first place as a bidder?

6 1 A To my knowledge ACS did not know anything
2 about Orion.

3 Q Okay. So was ACS supposed to originally get
4 any commission whatsoever off the sale of bad debt to
5 anybody?

7 6 A I was not aware of any position to that effect
7 prior to the bid opening, however shortly thereafter,
8 within a week, I saw that there was actually a board agenda
9 item prepared for approval by the Clark County Commission
10 that allowed for that percentage to be paid to ACS. This
11 would have had to be prepared prior to the bid opening in
12 order for it to be on the agenda, but it did not specify a
13 company, just the percentage benefit to the sale.

14 Q Did you think that was beneficial for UMC to
15 be agreeing that ACS should receive a huge commission on
16 the sale of that bad debt to Orion?

17 A Absolutely not. ACS was being paid to run the
18 hospital from management standpoints and the way this sale
19 of bad debt was presented to us in the beginning, what they
20 termed as a value added, where they were doing this as an
21 additional benefit for their management experience and what
22 have you to generate money for UMC, but there was no
23 indication that they would benefit from that value added
24 product.

25 Q Did UMC financially benefit from the sale of

7 1 this bad debt to Orion?

2 A I don't believe we have, no.

3 Q And getting back to the promise that you had
4 made to the other collection agencies, what happened with
5 respect to what Orion started to collect on?

6 A Shortly after the board approved the sale of
7 the bad debt to Orion, I received a copy of Orion's
8 contract, their standard contract to review and make
9 notations on it to what I felt should be accepted as is or
10 make some changes. There were several people who received
11 a copy of the Orion contract to do the same thing. I made
12 some notations on the contract, but in returning it back to
13 the contract manager I asked the question as to why we're
14 even looking at Orion's contract when we have the
15 capability of creating our own contract based on the
16 criteria that was presented in the RPF, the request for --

17 Q And what did you mean by that; that UMC was
18 already capable of doing something that Orion was now
19 contracting to do?

20 A Yes.

21 Q Okay. And did it come to your attention that
22 Orion had been granted the opportunity to collect on these
23 bills that the county and UMC were already collecting?

24 A Yes. Originally when I had IS provide the
25 tapes that were going to, or the CDs that were going to the

7 1 collection agency to cancel and return the accounts that
2 2 were involved in the sale, the accounts that were on the
3 3 pay arrangements as identified by the agencies, as well as
4 4 the ones that were in judgment status, were excluded from
5 5 that, from those disks. When I got the results back from
6 6 IS indicating the number of accounts that were going to be
7 7 actually available for sale, I e-mailed Ross Fidler with
8 8 the results of that and pointed out to him that the number
9 9 of accounts available were somewhere in the vicinity of ten
10 10 thousand accounts less based on the fact that there were
11 11 pay arrangements and judgments involved and that we had
12 12 promised the agencies that we would not cancel those back.

13 Q What did Ross Fidler respond to you?

14 A He didn't. He responded to, I'm not sure --
15 15 there was e-mail that went out, oh, to Don, stating I
16 16 thought that the agencies were told to cancel those
17 17 accounts back, and subsequently I was directed to cancel
18 18 those accounts back to be included in the sale.

19 Q So the contract had changed?

20 A Contract had changed significantly, yes.

21 Q And it had all been for the financial benefit
22 22 of ACS, correct?

23 A It certainly benefited ACS, yes.

24 Q Did it benefit the hospital in any way?

25 A No. I was able to have IS run a report for

7 1 me, they reflected the accounts currently on pay
2 2 arrangement and the average amount of money that that
3 3 generated for University Medical Center. At that
4 4 particular time it was around four hundred thousand dollars
5 5 a month that we gave up to the Orion sale.

6 Q So would it be fair to say the county lost
7 7 money to this?

8 A Correct.

9 Q And in fact now that the county was involved
10 10 in collecting money and had already arranged to have that
11 11 money collected and now Orion was collecting the money, did
12 12 the county end up having to refund money that had been
13 13 collected because Orion had double collected it?

14 A I have not experienced any problem with
15 15 duplicate collections. Again as the point person for the
16 16 collection agencies and unfortunately also for Orion in
17 17 this case, when there is a dispute relayed to me through
18 18 Orion that they had already paid a certain collection
19 19 agency, I investigated it, confirmed or validated the fact
20 20 that it was in fact paid and I advised Orion then to close
21 21 the account.

22 Q Okay. And what does that mean; that you, what
23 23 you just said there?

24 A That I advised them to close the account. Is
25 25 that what you're speaking of?

8 1 Q Okay. So sometimes they would be trying to
2 collect debts that had already been done?

3 A Correct.

4 Q That they weren't supposed to have in the
5 first place?

6 A Correct.

7 Q All right.

8 A That stemmed back to my inability to validate
9 all of the accounts that were over, there were nearly eight
10 hundred thousand accounts that had to be validated in a
11 very short period of time and I was just not able to do it.

12 Q You said there were ten thousand accounts, if
13 I understand right, ten thousand accounts that they had
14 received that they weren't supposed to have?

15 A Yes, that's correct.

16 Q And those accounts they shouldn't have because
17 they were already underway or proceedings had already taken
18 place to collect on that debt?

19 A That's correct.

20 Q Those were good debt accounts?

21 A That's true.

22 Q And they received that because of the
23 alteration in the contract; is that right?

24 A That's correct.

25 Q And whether or not Lacy Thomas had any

8 1 fingerprints on that alteration of the contract you don't
2 2 know personally, correct?

3 A I do not know personally, no.

4 Q You just know that ACS had somehow changed the
5 5 original contract to allow them access to money that --

6 A That's correct.

7 Q -- they weren't supposed to have?

8 A That's correct.

9 Q Just a moment.

10 Did you do a calculation as of August of
11 2007 to determine how much bad debt sold to Orion had been
12 recovered independently by UMC?

13 A I didn't do the calculation. The calculation
14 was requested by our finance office controller because we
15 were trying to negotiate a settlement to complete the sale
16 of the bad debt accounts. So there has been actually
17 several times that we've collected that information from IS
18 by running reports that would indicate payments received at
19 UMC that subsequently will be passed onto Orion whenever
20 the Orion contract is settled.

21 Q Is UMC in litigation with Orion right now?

22 A They're not in litigation but I think it
23 probably will end up in litigation because we can't seem to
24 come to terms on the settlement agreement.

25 Q Is that because Orion is claiming money that

8 1 they are owed which stems from collections that UMC already
2 made?

3 A That's correct.

4 Q And were you aware of what that total was as
5 of August of '07?

6 A I'm aware of it. I don't know off the top of
7 my head what it is, but I believe as I recalled it in the
8 vicinity of eight hundred thousand dollars.

9 MR. MITCHELL: No further questions.

10 THE FOREPERSON: Gil.

11 BY A JUROR:

12 Q I would like to better understand the process
13 so the questions I have deal more with the normal process
14 within your area.

15 A Okay.

16 Q In the eyes of UMC, you, the billing
17 department, sends out bills for services rendered and then
18 as I understand it you turn it over to an agency; is that
19 correct?

20 A That's correct.

21 Q In the event you cannot collect it?

22 A That's correct.

23 Q And when it's turned over to an agency, is
24 there any, have you ever received direction as to which
25 agency it should be turned over to?

8 1 A The collection agencies bid on the receivables
2 from UMC. Actually we're currently in a bid process for
3 new agencies now that will take effect in the first of
4 March. But periodically, normally every three years we put
5 out a request for proposal from licensed collection
6 agencies in the State of Nevada to bid on our, what we
7 perceive as bad debt.

8 Q So those are open bids and you're never
9 directly specifically to turn it over to an agency?

10 A That's correct.

11 Q When the agency can't collect on a specific
12 debt owed UMC it's then labeled as a bad debt,
13 uncollectable?

14 A As far as UMC is concerned, once it's written
15 off to bad debt it's labeled as uncollectable bad debt.

16 Q Generally what is the time frame from the time
17 your area sends out a bill and it goes through this process
18 to the time it's declared to be a bad debt; is that --

19 A It ranges between seventy-five and ninety days
20 for the full collection process. That's from the time that
21 the patient becomes responsible for the balance. As an
22 example, a patient may be pending eligibility for a social
23 service category, they could be pending for up to two
24 years, so the actual -- and subsequently denied, so from
25 that point forward it would be seventy-five to ninety days

9 1 of collections prior to going to bad debt.

2 Q In your analysis, when you do the RFP analysis
3 in both the agency and in Orion's case, was performance
4 ever a criteria for determining the award of a contract?

5 A In the case of the collection agencies
6 question, the performance is always a determining factor.
7 In the case of the sale of bad debt, performance was not a
8 criteria. As far as the collection activity is concerned,
9 simply because the sale was final, we have no control over
10 what the agencies do.

11 Q In the sale of bad debt is it customary for a
12 commission to be paid to an outside contractor?

13 A To a third party contractor you're speaking
14 of?

15 Q Yes.

16 A I don't know. This is the first experience
17 I've ever had.

18 Q You've never experienced that kind of
19 situation in the past?

20 A That's correct.

21 Q I think you mentioned that the total number of
22 bad check accounts were in the magnitude of eight hundred
23 thousand?

24 A That's correct.

25 Q That represented how much dollar wise?

9 1 A Six hundred and eighty-one million.

2 Q Six hundred and eighty-one million. And
3 approximately ten thousand that were in process were part
4 of that eight hundred thousand?

5 A That's correct.

6 Q Thank you.

7 BY A JUROR:

8 Q I think you answered this, but specifically
9 from the Orion, bid was open for the collection of bad debt
10 contract?

11 A Yes.

12 Q Okay.

13 BY MR. MITCHELL:

14 Q Now when you were talking about the debt that
15 was, that you thought was being sold to Orion, that was
16 debt that was way beyond the seventy-five to ninety day
17 period; is that correct?

18 A Yes, this was debt that had been assigned to
19 collection agencies prior to December 31st of 2003.
20 So it's been in bad debt for a minimum of four years.
21 Three years.

22 Q So at least three years had gone by without
23 anybody collecting, a agency being able to collect a dime
24 on those debts; is that correct?

25 A That's correct.

9 1 Q Okay. So as it turned out that supposedly bad
2 2 debt, eight hundred thousand dollars on that supposedly bad
3 3 debt has come in to UMC since the sale to Orion; is that
4 4 correct?

5 A That's correct, yes.

6 Q And Orion is claiming financial credit for it?

7 A That's correct.

8 Q They want to be able to count that as
9 9 something that they draw profit off of?

10 A That's correct.

11 A JUROR: I have one last.

12 THE FOREPERSON: Go ahead Bill.

13 BY A JUROR:

14 Q I -- maybe you can explain this a little
15 15 better for -- okay. So why would that set up a flag if UMC
16 16 was going to get more money, if the high bidder came in and
17 17 wanted to pay more money, why would you be objecting to
18 18 that?

19 A The flag I guess came, you know for me was the
20 20 fact that they bid so much higher. The other two bidders
21 21 were in the 4.5 million, 5.3 million category, and this
22 22 company came in at over eight million. It was just
23 23 extraordinarily out of line. Normally bids, and again I
24 24 preface that with I've never experienced sale bids, the
25 25 bids I've been involved in for agency collections have been

9 1 very close, they have a range that wide. So I personally
2 2 felt that there was something in the background that I
3 3 wasn't aware of that --

4 Q So are you saying in effect, because normally
5 5 you would think that UMC would be jumping up and down
6 6 saying hey, we're getting a windfall, so you're saying that
7 7 you had trepidation because you figured they couldn't
8 8 complete the contract or what?

9 A I can't put a finger on exactly why I was
10 10 uncomfortable with the bid.

11 BY MR. MITCHELL:

12 Q Let me ask you this, sir.

13 I don't mean to cut you off.

14 But were you concerned, and I'm not, I
15 15 don't want to put words in your mouth, if this wasn't your
16 16 concern say so, were you concerned that Orion was thinking
17 17 that there was good debt in there that they were going to
18 18 collect on too and that's why they were bidding so high?

19 A I'd have to say that after the fact, when we
20 20 were presented with the Orion contract to review, that
21 21 Orion was betting that we would accept their contract as is
22 22 and it certainly allowed for a lot more latitude than what
23 23 the request for bid proposal allowed for. And I can only
24 24 base that on possibly Orion's got a lot more experience on
25 25 going out to facilities and buying bad debt than what we

10 1 had experience in selling it.

2 Q Okay. So you thought that maybe Orion was
3 aware of something in the contract that you were not aware
4 of?

5 A Well, since it was their contract I'm -- there
6 was a lot of things in that contract that, you can read it
7 over and over again, after we received it I questioned
8 various points. As an example, one of the points in the
9 Orion contract is that they would not accept any account
10 with a judgment, so I said okay, so you're saying you don't
11 want any account with a judgment, here is these four
12 thousand accounts that are without, are assigned to Allied
13 Collection Agency that have judgments on behalf of the
14 hospital and you're saying you want these judgments, you
15 said in your contract you don't want them. So they pointed
16 to a different part of the contract earlier in the contract
17 that stated that they would make the decision of what
18 accounts to accept and what accounts not to accept. Very
19 vague.

20 Q And so you were concerned that they would be
21 able to recover money that you had already promised would
22 not be available to them?

23 A Absolutely.

24 Q And that's why their bid was higher, because
25 they were counting on collections that you didn't think

10 1 were available to them?

2 A I believe that's true.

3 Q Okay. And did your concern turn out to be
4 true?

5 A It did.

6 A JUROR: That's all I have.

7 THE FOREPERSON: No further questions from the
8 Grand Jury.

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

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

21 Do you understand this admonition?

22 THE WITNESS: I do.

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

25 THE WITNESS: Thank you.

10 1 THE FOREPERSON: All right. We're on lunch
2 break.

3 (Recess.)

4 THE FOREPERSON: We're on the record.

5 Please raise your right hand.

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

10 MR. MCKINLEY: Yes, I do.

11 THE FOREPERSON: Please be seated.

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

16 Do you understand this advisement?

17 MR. MCKINLEY: Yes.

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

20 MR. MCKINLEY: Malcolm John Ernest McKinley.
21 M-a-l-c-o-l-m, J-o-h-n, E-r-n-e-s-t, M-c-K-i-n-l-e-y.

22 MALCOLM JOHN ERNEST MCKINLEY,
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:

10

1

EXAMINATION

2

3

BY MR. MITCHELL:

4

Q Sir, whom do you work for?

5

A University Medical Center Southern Nevada.

6

Q What do you do for the hospital?

7

A Director of IS.

8

Q IS means what?

9

A Information services. Information technology,

10

information systems, the computer department.

11

Q And as director of that, does that include

12

responsibility over what computer equipment and telephone

13

equipment the hospital uses?

14

A All the hardware and software, voice and data

15

and the people that support.

16

Q Were you working in this capacity during the

17

time that Lacy Thomas was CEO at UMC?

18

A Yes, sir.

19

Q And during that time did there come a point

20

where you became aware that you were supposed to work in

21

connection with a person by the name of Martello Pollock?

22

A Yes, sir.

23

Q What was your involvement with Martello

24

Pollock when it began?

25

A I was told by my boss, the CIO, that Lacy had

10

1 a guy from Chicago that worked with him at Stroger that
2 oversaw the telecommunications of the new building there
3 and he wanted to bring the guy in to look at our
4 telecommunications.

5 Q Stroger was the hospital in Chicago where Lacy
6 Thomas had worked earlier?

7 A Right. It was Cook County I guess and then it
8 changed to Stroger with the new building.

9 Q Okay. You said that your boss was the CIO --

10 A He's the CIO, yes.

11 Q -- at UMC. Who is that?

12 A Doug Northcutt.

13 Q Okay. And so were you supposed to let him
14 take over your job or was he supposed to help you in some
15 way? What exactly did you think you were supposed to do
16 with him?

17 A Well, I asked that question specifically, what
18 was I supposed to do with him, and I was told that he was
19 going to take a look at our telecommunications
20 infrastructure voice-related issues and create some sort of
21 report to go back to Lacy on if there were any issues or
22 problems. He came into my department for probably half a
23 day. My assistant director over telecommunications, over
24 operations, which includes telecommunications, had just
25 left probably two months before Marty came in, so I had him

11

11 1 sit in her office, I gave him a stack of files probably
2 twice that thick and he interviewed myself and one of my
3 telecom technicians, and from that half day of reviewing
4 those documents and interviewing two people he produced a
5 four-page report stating what we had, the types of
6 telephones we had, the types of systems we had and how we
7 were using them to talk on.

8 Q Was this information that was not previously
9 available before he did those two interviews and spent a
10 half a day at your hospital?

11 A It was all available and had been produced by
12 my department many times over the years that I've been
13 there.

14 Q Did he have any knowledge that you didn't
15 have?

16 A Not at that time, no.

17 Q So what you told him in your interview with
18 him was you informing him of the existing system and
19 probably some explanation as to why you had this equipment
20 or this system in place?

21 A I told him what I knew from the very technical
22 telephone perspective of the kind of switch we had, the
23 number of telephone systems we had, how they were used. I
24 let my telecom tech, he interviewed my telecom tech and
25 they talked. But from my perspective he was asking

11 1 questions like am I aware that we have problems with the
2 phone at Lied Center, which has been, I've been there eight
3 and a half years, it's always been a problem. They're very
4 busy, they don't answer the phone. The question was is
5 there a problem with the telephone system at Lied, people
6 call and no one answers the phone. I said no, we checked
7 out the system over the years, there is no problem with the
8 phone, no one answers the phone because they're busy. And
9 that was produced in the report. There were things like
10 that, he would ask questions, I would answer them and that
11 showed up in the report.

12 Q So would it be fair to say that the report
13 that he generated as a result of that half day and two
14 interviews regurgitated information that you had supplied
15 to him, and your telephone tech?

16 A Absolutely.

17 Q Now did you know at the time that you were
18 meeting with him that the county had paid him money to do
19 this service that he was providing, this consultant
20 service?

21 A I assumed he was being paid money to do the
22 service as the other contractors that were in the hospital
23 were being paid to do. I didn't know how much, I didn't
24 see the contract. I didn't know if there was or was not
25 one but I assumed that there was one.

11 1 Q Okay. You did read the final product that he
2 came up with, the four-page report that you mentioned?

3 A I did.

4 Q In your opinion, if he was paid money for that
5 report or the services that he rendered, did the hospital
6 get any discernible value from that?

7 A It depends on what value they were looking
8 for. In my previous life I was a consultant and
9 consultants are very good at going into businesses and
10 regurgitating what they already know. Sometimes senior
11 management needs to hear from an outside source that what
12 their people is telling them is the truth or not. If he
13 was engaged to tell Lacy if we knew what we were doing and
14 if we were telling him the truth, then he completed the
15 objective. If he was to come in and find out something
16 that we didn't know or tell Lacy that there were things
17 that we weren't telling him, then he didn't find anything
18 out. So did he add value? In whose mind? Not in my mind
19 but I'm not the one that hired him.

20 Q If the objective was to provide new
21 information on the status for usefulness of the system that
22 you had out there --

23 A Provided none.

24 Q -- then would he have provided value in that
25 way?

11 1 A No, sir.

2 Q Did you consider yourself quite good, an
3 expert at what you were doing already as a full time
4 employee of the hospital?

5 A I consider myself an expert at what I do, but
6 I'm also very good at hiring the right people to do the
7 right jobs below me. Technically I'm a different
12 8 perspective than telephones, my life previously was a
9 programmer analyst up to the position I'm at now. I've
10 been in management for so many years that I wouldn't
11 pretend to be the best programmer out there, but I know how
12 to hire good programmers and good project managers and good
13 leaders and I have very good technical staff that knows
14 what they're doing.

15 Q During your time where you had contact with
16 Martello Pollock, did you have an opportunity to form an
17 opinion on whether you knew more about the things he was
18 asking you about or he knew more about those things?

19 A Many times I formed the opinion that I knew
20 more about what he was doing than he knew about what he was
21 doing.

22 Q And specifically what did you know more about
23 than he?

24 A Well, like I said I'm not a telephone person,
25 I'm not a highly technical telephone person in any way,

12

1 shape or form, but I knew enough about the telephone
2 systems that we had and that we were using and how to use
3 them. He came in and offered no new information,
4 regurgitated what I said as being the gospel of what was
5 going on. If he was an expert in his field I would have
6 expected much higher detailed report about our
7 organization. In fact I believe that one of the items in
8 his four-page report was a diagram of our telephone system
9 which was probably a four or five year old diagram that my
10 tech gave him and he just put that in the report as this is
11 their telephone system as opposed to if he really knew what
12 he was doing why didn't he go look into all the closets,
13 hit the switch and create his own diagram of what he saw
14 and compare that to what we had. He would have known that
15 it was four or five years old. So, and that was just my
16 first meeting with him which was very quick. It was a
17 contract that came out of that that we had to participate
18 in also.

19 Q Okay. In fact what he was doing on your first
20 meeting with him was pursuant to a contract too or did you
21 know that?

22 A Is the question that the first thing he was
23 doing was part of a contract?

24 Q Yes.

25 A I assumed that it was. I didn't see the

12 1 contract. The second engagement I at least saw part of the
2 contract.

3 Q Okay. Now did you become aware of his
4 familiarity with voice over internet protocol technology?

5 A He had none.

6 Q Okay. And how did you know he had none?

7 A Because we were doing voice over IP at a
8 facility at UMC a year before he came to consult for us.
9 We were talking about doing voice over IP in two other
10 facilities, one being Delta Point, our training center, and
11 one being the northeast tower, the new portion of the
12 hospital that just opened last year or a year and a half
13 ago, and his familiarity with voice over IP spoken to both
14 me and my assistant director was I have no familiarity with
15 that, I have never done it before, I'll research it.

16 Q In order to be an expert in the field that he
17 was supposedly consulting in, wouldn't you have to know
18 something about voice over IP?

19 A If you want to be current you would. If you
20 want to add value to somebody's organization with new
21 technology you would. I wouldn't have someone working with
22 for me who couldn't add --

23 Q And you heard him admit he knew nothing about
24 it voice over internet protocol?

25 A He had done nothing with voice over IP, didn't

12 1 know anything about voice over IP.

2 Q Did you later have occasion to be interviewed
3 by police detectives regarding the UMC situation under Lacy
4 Thomas?

5 A Yes, sir. Both Metro and FBI.

6 Q Did you have occasion to express an opinion as
7 to how many years behind current technology his knowledge
8 base was?

9 A I may have thrown something off the cuff, but
10 he was obviously years behind. I don't know if I would
11 have specified a specific number of years, but he was
12 definitely years behind the technology.

13 Q Do you remember saying five to seven years
14 behind?

15 A That's what I'd throw out now, but again I'm
16 not sure I could pinpoint that, but just based on a
17 technological expertise he seemed at least five years
18 behind.

13 19 Q Okay. Did you ever meet with Lacy Thomas --
20 were you ever present when Martello Pollock spoke to Lacy
21 Thomas about his background in voice over internet
22 protocol?

23 A I was only ever in one meeting with both Lacy
24 and Marty and if he stated in that meeting, I think he
25 probably did state in that meeting that that was not his

13

1 forte, that voice -- understand that voice over IP is a
2 data network as opposed to voice network. Traditional
3 voice, traditional telephone systems go over a voice only
4 network, voice over IP is the product of putting voice over
5 a digital data network. And his statement in the meeting
6 was that he didn't know anything about data networks and
7 that he couldn't offer an opinion to data networks.

8 Q Okay. And he said this at a time when Lacy
9 Thomas was present?

10 A Yes, Lacy Thomas was present and yelling at me
11 and my staff.

12 Q Why was Lacy Thomas yelling at you and your
13 staff?

14 A There was a misunderstanding between one of my
15 staff and Marty Pollock in a hallway conversation, hallway
16 meeting, they happened quite frequently at UMC and probably
17 every other business, and Marty overheard something that he
18 didn't like. He took that to Lacy and said Lacy, there is
19 a problem, the people don't know what they're doing, your
20 voice system is going to fail at Delta Point, that being
21 our training center that we were opening that year, and
22 when he heard that, rather than ask questions he convened a
23 meeting of a number of administrators, me and my assistant
24 director, my CIO and Marty Pollock, and during that meeting
25 he berated us and yelled at us for not including Marty in

13 1 the design of the voice network. We explained to him that
2 2 it was voice over IP, not traditional voice, that Marty
3 3 didn't have any expertise in that and that all of our
4 4 experts that we were paying a lot of money to to put that
5 5 system in were telling us that it would work fine. AT a
6 6 point in that meeting we were told that we were, we were
7 7 asked why we weren't using Marty for all projects, not just
8 8 voice projects, and I stated to Lacy that I was told by my
9 9 boss to give him some projects to work on so that he could
10 10 be busy and that they had to be voice projects and that's
11 11 what I did, I gave him three voice projects to work on. I
12 12 was told in that meeting by Lacy that from that point
13 13 forward I was to involve him in every project that we were
14 14 working on. How that was going to be accomplished when he
15 15 only had seven hundred and seventy-seven hours in a
16 16 contract and he only visited us once every couple of weeks
17 17 at most was beyond me, but we started to e-mail him, cover
18 18 him on every project we were working on so that he could
19 19 say yeah, it looks fine or no it doesn't. Off line he told
20 20 us, I don't know why I'm getting all this, I don't know
21 21 anything about these data projects, these software hardware
22 22 implementations are not what I do, but Lacy wants me to
23 23 look at them so that I have an idea of what's going on. So
24 24 we sent them to him.

25 Q The meeting you had with Lacy Thomas, was

13 1 Martello Pollock in that meeting when you were berated?

2 A He was.

3 Q Did he say in the meeting in front of Lacy
4 Thomas that he didn't know anything about voice over
5 internet?

6 A He mentioned at some point in the meeting that
7 data was not his area of expertise, but for the most part
8 he sat there and in my terminology he let us burn. He just
9 sat there and listened. He didn't say oh, I was mistaken,
10 even though it came out that he was mistaken in the hallway
11 meeting that he had with one of my staff that he
12 misunderstood what he heard. He didn't say, you know what,
13 I'm sorry Lacy, I should have asked questions before I
14 brought this to you, it doesn't turn out that it was the
15 truth, they do know what they're talking about. He just
16 sat there and listened.

17 Q So he let you take your scolding without
18 intervening on your behalf?

19 A Yes, sir.

20 Q Now during the time that you were told you
21 were supposed to give him things to do, that was told to
22 you by your boss Doug Northcutt?

14

23 A My boss Doug Northcutt. He actually said, if
24 I may, he said we have to take this contract, we have to do
25 something with it. And I said what do I do with this guy,

14 1 he doesn't know what we're doing, he's not on seven hundred
2 hours in his technical ability, he's not going to add
3 anything to us, what do I do with him. I said I don't want
4 him here, I don't want to use him. I was told by my boss
5 Doug we're not going to refuse it, we're not going to say
6 no to Lacy, I'm not going to end up like everybody else
7 that says no to Lacy, find something for him to do. I said
8 well, what if I find him two or three innocuous little
9 items he can deal with back at home and leave us alone on
10 everything else we're doing, and Doug said sure, just do
11 that.

12 Q Back at home being?

13 A Chicago.

14 Q So Martello Pollock did not work on-site?

15 A Very rarely he came out. At first he came out
16 once a month, once every other month, then towards the end
17 he was coming out every other week or so, but mostly we
18 dealt with him over the phone or on e-mail.

19 Q He was not somebody that was running a
20 business locally, he was being brought in all the way from
21 Chicago to deal with whatever?

22 A He was flying in on request.

23 Q Okay. So what is an example of something that
24 you would e-mail him to do in compliance with this
25 directive that you had gotten from Doug Northcutt?

14

1 A Well, we had, we picked three things and for
2 the life I can't remember the third. The first one was an
3 issue with patients in patient rooms making long distance
4 phone calls. Most of our patients are indigents or no pay
5 patients so they don't have the ability to have credit
6 cards with them to make third party calls and what they
7 typically do is they use our operator, our PBX, to dial
8 long distance phone calls for them and then we end up
9 eating those charges. The patients were complaining about
10 the process, that they didn't like that they couldn't make
11 long distance calls. We would charge their bill back for
12 the calls. We didn't expect to get paid for them but we
13 would charge back for the calls. It turns out that we had
14 potentially some nurses or clinicians or people that were
15 in patient rooms when the patients weren't there pickup the
16 phone, make long distance phone calls to the Philippines or
17 somewhere else, and then there was this large charge that
18 was added to their bill that they were expected to pay, not
19 that they were going to pay it anyway but it showed up on
20 their bill. We had a physician's wife in our hospital for
21 a three-day stay and that physician's wife complained
22 loudly that there were phone charges on her bill that she
23 did not make. We investigated it and found out that was
24 happening. One of the things that came up was what could
25 we do to solve this problem, how do we get our patients so

14 1 they're not upset that people are using their phone when
2 they're not in the room. We gave that item off to Marty,
3 we said can you come up with something for us that will
4 solve this problem.

5 Q That was something that didn't necessarily
6 require technical expertise, just --

7 A You know he worked in a hospital, supposedly
8 he worked in a hospital before, and he came up with
9 technology solutions for them before and he was the
10 telephone, the voice expert, so with that background that
11 he supposedly had we figured he could bring some knowledge
12 to us, we could use him as a consultant and say hey, we're
13 at a loss here, tell us how to solve this problem, we have
14 indigent patients that don't pay their bill but we need to
15 give them long distance phone privileges and not lose money
16 on it, how do we do that. So we let him run off with that
17 one.

18 Another one was what I said, we have
19 this Lied Center, an outpatient clinic, that they don't
20 answer the phones because they're too busy, and we said
21 solve that problem, tell us what we can do to make the
22 people answer the phones or fix the phone problem so that
23 they get answered and the patients don't complain they
24 can't get through.

25 And we gave him a third one but I can't

14 1 remember what that was.

2 Q Did he supply solutions to the first two
3 problems if you remember?

15 4 A The second problem he provided a solution that
5 we needed to have more staff and dedicate people to
6 answering the phones, while he should have already known
7 this because he supposedly went out there and interviewed
8 them. We have staff dedicated to answering the phones but
9 it's a very busy facility and they're on the phone all the
10 time so phones go unanswered. Probably not fair of us to
11 give him that project but we did.

12 The other project he came back and he
13 said look, we used, at Stroger we used phone calling cards
14 like you see in the supermarket, like an ATT card, you can
15 buy it for ten dollars and it gives you so many minutes of
16 phone calls, why don't we offer phone calling cards. Well,
17 because the patients can't buy them, they can't afford
18 them, that's part of the problem we have now, they wouldn't
19 be able to purchase them. Well, we can have the women's
20 auxillary fund them, they can pay for them so that every
21 patients that comes in gets ten dollars of long distance
22 free calling card. Well, okay, it's not skin off our nose,
23 we're not paying it out of the UMC, the auxillary would
24 donate money off money they collected, we'll try to
25 generate that. And his answer was here's the company you

15 1 can call that does that, go for it. So he offered us again
2 2 consultant information, here go do this, and we took that
3 3 and started to go forward with it. It never was
4 4 implemented by the way.

5 Q Did it turn out to be impractical?

6 A Yeah. It came down to we don't want the, the
7 auxillary didn't want to pay for it, the patients were
8 going to have to pay for their own cards or we were going
9 to have to pay for their cards, so where we were eating the
10 cost of sometimes paying for phone bills that they wouldn't
11 pay for and they were exactly the phone calls that were
12 made, we were now going to be charged with paying for a ten
13 dollar phone card for every patient that came into the
14 hospital. At a hundred twenty thousand in-patients a year,
15 do the math, and it's impractical to pay that much for
16 phone calls when we don't pay that much for a phone bill.

17 Q So that was the outcome of those projects that
18 you had given him to keep him busy in some manner?

19 A Yes, sir. Until we were told to give him
20 everything else.

21 Q Okay. If you had been told that this was an
22 outside expert whose experience was such that he was
23 basically indispensable to the hospital and that that's why
24 he had been hired to provide this consulting service, would
25 you have agreed with that assessment after having worked

15

1 with him?

2 A No.

3 Q Okay. Did you also have dealings with a
4 person by the name of Greg Boone?

5 A Yes, sir.

6 Q And how was it that you had dealings with him?

7 A Well, Greg came to us on a quick look contract
8 which is something that he said he did for a lot of
9 companies, that this was his specialty to do these quick
10 looks. He came to us with a resume and we knew that he was
11 the interim CIO at Stroger for Lacy. I think he came in
12 under a fifty thousand dollar contract. He was supposed to
13 take a quick look at the IT department, and this was again
14 let Lacy know did we know how to do our job, were we doing
15 it well, and he produced a quick look report and a Power
16 Point program based on that quick look of things that he
17 could do to help us.

18 Q Did you get to review the report that he
19 issued?

20 A Officially, no.

21 Q Actually?

22 A About a year after meeting him the first time,
23 we had many conversations over the year and a half, two
24 years, I guess it was over two years that we had dealings
25 with each other, we had many conversations about different

15 1 things, and part of that was my boss Doug Northcutt, and he
2 said you know, you should read this report that I produced
3 back when I first came here, and he gave me a copy of the
4 report promising that after I read it that I would get rid
5 of it and not let anybody know that I read it because it
6 was pretty disparaging to my boss.

7 Q Okay. He had been hired to do what as you
8 understood it, Greg Boone?

9 A On his first contract he had been hired to
10 look into the IT department, and I found out later that
11 there was a piece that was pharmacy related on there maybe,
12 but from what I understood he was hired to come in,
13 interview people not only in the IT staff but in the
16 14 general hospital staff, find out whether or not IT was
15 providing the functions that we said we were providing and
16 were we providing them well, were we doing our job well and
17 how well were we doing our job if we were doing it. And I
18 came to understand that he did the same thing at Stroger
19 and his suggestion to Lacy at Stroger was to get rid of the
20 IT staff and out source it until they could fix it.

21 Q Okay. So under his first contract you
22 eventually read, about a year later, the report that he had
23 issued?

24 A Yes.

25 Q And was your opinion of that report, did it

16 1 provide helpful information or suggestions?

2 A Well, this goes back to what consultants do
3 really well and what he was hired to do. So if he was in
4 fact hired to tell Lacy whether or not his IT department
5 was doing their job, he did that very well. He stated in
6 the report that we were indeed doing our job very well for
7 what we had, meaning amount of people, resources that we
8 had available, that we were doing our job very well, that
9 there was some very strong issues with senior management,
10 meaning my boss, that needed to be corrected, and that
11 while he wasn't sure that my boss was salvageable he
12 believed that we shouldn't get rid of him at this time, but
13 that everything else, and I work, everybody works directly
14 for me, under me, that everything else was working well for
15 what we had, meaning the people and money that we had
16 available we were doing really good with it.

17 One of my suggestions while talking to
18 Greg in our many conversations was that I've been trying
19 for years to do project management correctly, that I didn't
20 have the ability to do project management correctly because
21 I didn't have the people or the money to do so, that I
22 would love to have a PMO, project management office, as
23 part of my IT department. Part of the document that he
24 produced, part of his deliverable, was stating that he
25 believed we should have a project management office and

16 1 that he would like to help us implement a project
2 management office. So he did really well in regurgitating
3 what I wanted. I can use consultants to my benefit at
4 times and that's how I use them. If I'm forced to use a
5 consultant I'm going to get the consultant to move forward
6 with what I want done. He did that very well. Did he
7 provide value to my department? Not at that time.

8 Q He put in his report what you had told him you
9 thought you needed and he basically, would it be fair to
10 say that he claimed that as his own conclusion?

11 A Yeah. I don't think he gave credit to anybody
12 else or anywhere else. He just simply stated that we were
13 in need of clear project management help and that a PMO
14 would be the way to do it.

15 Q Okay. Did he propose setting up a PMO
16 himself?

17 A He did in a second contract. His quick look
18 contract was only I want to say a number of weeks to
19 produce this first report. He quickly produced a second
20 proposal for many more hours and more people to implement a
21 project management office as well as do some other risk
22 assessments and gathering some information about projects
23 that we were working on.

24 Q Okay. As part of this project manager's
25 office, did it, did you reach the conclusion that you

16 1 needed something called a dashboard?

2 A Well, it's something that I wanted to do for a
3 long time and we talked about it many times, the fact that
4 I needed an electronic dashboard for my administrative
5 staff and the senior administrators to be able to have a
6 very quick easy understanding of where all of the IT
7 projects were, whether they were healthy or unhealthy,
8 whether they were going to be completed on time or not,
9 overbudget or underbudget, overstaffed or understaffed. It
10 seems like a pretty easy thing to do. When you work with
11 multi million dollar budgets and you're running thirty to
12 forty implementations, software implementations, it's hard
13 to present to a high level administrative staff where you
14 are on those projects. We do a status report on a daily
15 basis, they're handwritten, multi page, senior
16 administrators are not going to read through them to figure
17 out what is going on, they're going to look is this
18 succeeding or not, is it healthy or not. I wanted an
19 electronic dashboard and I was asking for that for a number
20 of years and I was talking to my boss for a number of years
21 about that. During the course of that second contract that
22 was part of his goal was to help us get a dashboard up and
23 running.

24 Q Okay. Did he provide any help in that regard?

25 A He proposed that he have one built for us. We

17 1 proposed that we purchase one. There are a number of
2 dashboards out there, a number of companies that provide
3 off-the-shelf software that you can just plug in, put your
4 information and you have a dashboard available. They cost
5 money. We had been reviewing them for quite sometime and
6 we told him that we had come down to a couple that we'd
7 really like to have but they were pricey. He said he
8 wasn't sure if he could get that to happen but maybe he
9 could create something or have something built by a
10 programmer back home that would work. He went off to think
11 about that. We e-mailed each other every once in a while.
12 One of the e-mails came back, do you like this dashboard
13 that they use at the State of, Virginia and I said yeah, I
14 do like it, I've seen it, I like it very much. He said
15 what if we built something like that. I said I don't know
16 if you need to build something like that, I think we can
17 build it ourselves. He said take a look at it, when I come
18 out next week you can tell me what you think. I had asked
19 my web master if she could look at the State of Virginia
20 web site and she said she could and did and she came back
21 to me and said I could fix this up to be a UMC dashboard in
22 a couple of days. I said can you do it before Greg comes
23 back out next week, and she said yeah, no problem. So by
24 the time he returned a week later I had, my web master had
25 already recreated that dashboard that the State of Virginia

17 1 used into a UMC dashboard that worked. We could enter our
2 information on there. It showed a green, yellow, red light
3 to show whether the project was healthy or not, and you
4 could drill down a couple levels to see what sort of
5 problems the projects were having. That is pretty
6 rudimentary dashboard from what I was looking for but it
7 was a good start. It was a great start. So what did he
8 do? He e-mailed me and asked me if I liked that dashboard,
9 that's what he did.

10 Q Excuse me?

11 A I know a guy in Chicago that can fix that for
12 you. Or so he says. Sorry.

13 Q So the dashboard is something that you were
14 already pursuing and you had been looking around for good
15 ones that you could integrate at UMC?

16 A Yeah. What we wanted was a really good, we
17 wanted the ability to really be able to show the
18 administrators something that when they looked at it and
19 they said oh, there is a problem, the light is either red
20 or yellow on this project, they could click on it and drill
21 down to what the problem was: Was it short of money, short
22 of resources, was another project bumping into it. It's a
23 pretty complicated technical item. This State of Virginia
24 web site was really nice and pretty on the outside, but you
25 could only drill down one or two levels and nothing was

17 1 really connected. So you had to have a resource, have
2 resource intensive keying all that information in all the
3 time. We wanted a place whereas we tracked our projects on
4 a regular basis, this was how we track our projects in this
5 tool, it would automatically report to this dashboard, so
6 as we're doing our job on a daily basis, no extra work,
7 just doing our job, those dashboards would change and be
8 available to the administrators to see how things were
9 happening and you could drill down multiple levels into the
10 project.

11 Q Did Greg Boone provide anything to you that
12 you didn't already have access to?

13 A No. As a matter of fact we told him that the
14 project dashboard that we wanted, the project portfolio
15 management system we wanted was a specific project
16 portfolio management system from a specific company, that
17 we had already demo'd it and seen it, and he said well, I
18 can't propose that to Lacy until I see it and approve it.
19 So he asked that we look at a number of other project
20 management software companies so we could do our due
18 21 diligence, we looked at all of these, we said let's look at
22 them again, we looked at them again, he called that company
23 out to give him a demo, he got a demo of that software, and
24 then he came around and said this is the project dashboard,
25 project portfolio management system that he suggests that

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1 we buy for the company.

2 Q And you found that system inadequate for your
3 needs?

4 A No, no, no, that's the one that I wanted. But
5 after I had already said I wanted it and been looking for
6 it and seen a demo of it, he turned around and said this is
7 the one that he suggests that we buy. Which was good
8 because with his suggestion I got to buy it. But again I
9 had already been saying that.

10 Q Okay. Did you know while you were working or
11 communicating with him how much he was being paid to
12 regurgitate what you were telling him?

13 A Well, I saw the contract. I saw the contract
14 when it was first written and what he was asking for and
15 what he said he was going to be doing, and I told my boss
16 at the time it's not a contract that we should sign, it's
17 not a contract that we would want, he wants way too much
18 for what he has the ability to offer and we already know
19 everything he's going to tell us, there is nothing we can
20 gain from having him here. Once again I was told by my
21 boss Doug, well, we're not going to fight Lacy on this,
22 we're going to sign this contract, we're going to let him
23 come in and talk to us and we're going to, we'll use it to
24 the best of our ability as we can and we're just going to
25 have to live with it, it's one of those things you'll have

18 1 to live with, there are other contracts in the hospital
2 that are all being run by Lacy and if we don't do as we're
3 told we're not going to have jobs. Fine, then I guess I'll
4 have to work with this contract. So I figured I would try
5 to use him to the best of my ability. So yes, I knew he
6 was making a lot of money.

7 Q As you were telling him why you wanted a
8 particular dashboard, you were explaining to him why that
9 one was best suited for you?

10 A Yes.

11 Q Okay. He wasn't telling you why it was best
12 suited for you, you were telling him; is that right?

13 A Right.

14 Q And Greg Boone was doing business as Frasier
15 Systems; is that right?

16 A Frasier Systems LLC I think, but, yes, we knew
17 him as Frasier.

18 Q Did you form an opinion of how varied or how
19 strong his background on the subject matter was that he was
20 consulting on?

21 A He wasn't a strong project manager, that
22 wasn't his thing, and he said from the beginning that
23 wasn't his thing. He was bringing somebody else in to be a
24 project manager. He first introduced us to a gentleman
25 named Ralph Reed, and he and Ralph apparently from the

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1 quick look to the second contract had a little falling out,
2 I actually liked Ralph, Ralph seemed like he knew what he
3 was doing at least for the little bit that I met him, he
4 brought another person in, Lori Threatt, and introduced her
5 as the project management person that was going to help
6 bring our PMO up. I very quickly formed an opinion of Lori
7 Threatt that she had no clue what she was doing and
8 shouldn't be in our shop and I told him so many times and
9 he promised me at one point that if I could not stand
10 working for her or with her that he would bring somebody
11 else in that I could accept, but that never happened.

12 More to your point, he and I had many
13 conversations about why he was there and what he was doing
14 and he was very clear with me that he was not there to do
15 what the contract said he was there to do, that the
16 contract was a vehicle for him to be able to be there to do
17 what Lacy needed him to do which had nothing to do with
18 what the contract was or what the contract stated. And so
19 I questioned him on many occasions, so exactly what it is
20 that you're doing for Lacy, and he said I'm a second set of
21 eyes, I can walk around the facility and I can see what is
22 going on and I can report that back to Lacy and I'm not as
23 threatening as Lacy walking around and seeing what is going
24 on. People will talk to him where they wouldn't talk to
25 Lacy. So he needs me to be his second set of eyes in the

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19

1 organization to help him know what's going on, what's right
2 and what's wrong. And I said well, the contract states
3 that you're director of the PMO and he said that's what
4 Lori is here for, he said I needed a way in and this is my
5 way in. And that wasn't one conversation, that was many
6 conversations we had over the years about why he was there.

7 Q So he himself did not actually claim to have
8 extensive background or knowledge of the systems that you
9 did?

10 A Right.

11 Q Even though the contract would suggest that he
12 needed to have that background?

13 A The contract would suggest that he was there
14 for a completely different purpose than he was serving.

15 Q Did you ever meet a man by the name of Orlando
16 Jones?

17 A No.

18 Q Did you ever hear of a company called Premier
19 Alliance Management?

20 A I'm going to tell you right now that the
21 answer to that question is no, but today while I was
22 looking back through paperwork I did see their name on
23 something that I should have known that name, but I did
24 not. Marty Pollock always represented himself as Crystal
25 Communications to me. I got his business card, I got his

19 1 e-mails, every correspondence I had with Marty Pollock was
2 as Crystal Communications. But on that initial assessment
3 that he did of our voice network, the cover sheet, which I
4 don't know that I looked at, I just saw it today for the
5 first time, I saw the contents but not the actual cover,
6 and the cover did say Premier Alliance on it. So I don't
7 remember ever having seen in my past Premier Alliance, but
8 I did see it today on the cover of that document.

9 Q Okay.

10 A But I do not know Orlando Jones and I never
11 saw that contract, did not know that contract existed.

12 Q So you later learned that a contract had been
13 made with a company called Premier Alliance and Marty
14 Pollock had never said that he was from Premier Alliance?

15 A Right. When I found out about Premier
16 Alliance, Mike from Metro called me and said hey Ernie,
17 have you heard about this company and this guy, and I said
18 no, who are they, and he said well, you guys have a
19 contract with them, and I said I don't, I've never seen
20 one. So I went to my AP department and I said did we ever
21 pay a company Premier Alliance, yes, we did. And it was a
22 pretty big sum of money. And the contract was from a
23 certain date so I went to the contract management guy and
24 asked him to pull that contract and they did say that it
25 was an Orlando Jones and that my boss Doug signed it.

19 1 Although I questioned my boss about it, he doesn't remember
2 signing it. It was probably one of the contracts that Lacy
3 put in front of him and said sign this. And that's just
4 what I know about it.

5 Q That contract, did that contract for the
6 subsequent, the first one with Crystal Communications
7 require that they do an inventory of the equipment that you
8 already had on-site?

9 A Like I say I never saw that first contract so
10 I have no idea what was supposed to be done with it.

11 Q If that contract, that one that you still
12 haven't seen, provided that the contractee was supposed to
13 inventory your equipment, would that inventorying have been
14 done through you?

15 A Well, I would say yes and it would have had to
16 have shown up in the report. The inventory would have
17 inventoried our switch and our telephones and our lines and
18 I mean it would have been an inventory of everything voice.
19 If we're talking about the voice contract, it would have
20 been an inventory of everything voice that UMC has and I
21 never saw a document that stated anything that we were,
22 that wasn't our documentation that we already had.

23 Q Do you remember if Crystal did an inventory?

24 A I don't believe that he ever did an inventory.

25 Q Would that be something that you would be

19 1 aware of if they had done an inventory?

2 A I would hope so.

3 Q Since you were in charge of it, correct?

4 A Right.

5 Q And if a contract called for Crystal to do an
6 inventory of your equipment, then you can say that you
7 don't think that was actually done?

8 A I do not believe that was actually done.

9 Q Do you know whether Greg Boone on behalf of
10 Frasier Consulting represented to Lacy Thomas that he had
11 come up with this dashboard suggestion for you?

12 A I have no idea if he represented to Lacy that
13 fact or not.

20 14 Q But you do know that whatever discussions took
15 place about the dashboard consisted of you telling him what
16 you wanted and why?

17 A Absolutely.

18 Q The first assessment done by Crystal
19 Communications -- excuse me.

20 At the time when Crystal Communications
21 did that first assessment and produced -- you said it was a
22 four-page report?

23 A I think it was a four-page report with a
24 diagram on the back.

25 Q Was the diagram included in the four pages?

20 1 A Separate page.

2 Q Had you already had a telecommunications
3 consultant come in earlier, years earlier or sometime
4 earlier, and produce a similar type report making
5 recommendations to you?

6 A Yes, sir. Although I hate to use the word
7 similar, but yes, sir.

8 Q A report with a similar purpose?

9 A Similar purpose, absolutely.

10 Q And that report was prepared by what
11 consulting company?

12 A I believe that it was, if not by Siemens it
13 was a company working with Siemens.

14 Q And were they a professional company with
15 expertise in the field?

16 A Absolutely. Not only in the
17 telecommunications field and the voice and data field but
18 also in health care.

19 Q And are you generally familiar with the length
20 of the report that they provided after having done their
21 assessment?

22 A It seemed to me it was like two to three inch
23 binder of information. Probably a couple hundred pages at
24 least.

25 Q Okay. So that's what you would expect from a

20

1 consultant who is going to recommend --

2 A You know it was tabbed, it was indexed, you
3 could go in there and find out every piece of equipment I
4 had, how it was connected, the feeds and speeds of the
5 lines that were going to each place. It was a very
6 comprehensive, detailed telecommunications report.

7 Q Okay.

8 A It's what I would expect from anybody that I
9 paid to do that type of job.

10 Q And you had read through this report and
11 become familiar with it?

12 A Years earlier, yes.

13 Q And had you been able to follow any of the
14 suggestions it had if suggestions were made?

15 A Many suggestions were made. Following is a
16 bit tougher when you're not given money or resources to do
17 so. But were we aware of our shortcomings? Absolutely.
18 Did I need someone to come in again and tell me the
19 shortcomings again from two years ago that I didn't do
20 because I didn't have the money? I didn't need that. I
21 could have produced the report and said I did three of the
22 fifty-five items we need to do, the fifty-one, if you want
23 to tell me I have fifty-one items be done, I've got it
24 right here, I don't need to be told again what I don't
25 have. If you want to help me with the fifty-one items

20

1 that's fine.

2 MR. MITCHELL: Okay. No further questions.
3 Anybody else have any questions?

4 THE FOREPERSON: Bill.

5 BY A JUROR:

6 Q Yes. You've referred on multiple occasions to
7 this four-page report. Do you have a copy of that?

8 A Not with me. Metro has many copies of it.

9 MR. MITCHELL: These will all be provided.

10 BY A JUROR:

11 Q Also this quick look contract, the fifty K
12 project, was that done at the same time as the four-page
13 report and did it cover the same material?

14 A No, sir. The quick look proposal was approved
15 to be done in August of '04, the interviews were done
16 between August and October of '04, and the content, the
17 deliverable would have been delivered probably in the
18 November/December of '04 time frame. For the quick look.

19 The other analysis that was done by
20 Crystal Communications or Premier Alliance, whoever
21 actually did it, was probably in the May -- March, April,
22 May of '05 time frame. So maybe five, six months later.

23 Q But they're covering the same material?

24 A No. One covered IT from a data perspective,
25 hardware/software, what we're doing. The other one covered

20

1 it from a telecommunications perspective, how our voice
2 network worked.

3 Q Okay. Thank you.

4 THE FOREPERSON: Gil.

5 BY A JUROR:

6 Q You run a pretty technical and highly
7 sophisticated area.

8 A I like to think so.

9 Q I agree with you.

10 You mentioned earlier that you had other
11 consultants, one of which you mentioned towards the end
12 here Siemens. In preparing a contract or a statement of
13 work for an RFP, had you been consulted in the normal
14 course of events to assist in preparing the statement of
15 work that someone can bid against?

1

16 A Are you talking about the Crystal and the
17 Frazier contracts?

18 Q I'm talking about contracts in general and
19 then I want to focus on those contracts.

20 A All contracts that are IT related for
21 consultants, software/hardware vendors or otherwise, if
22 they're related to me in my department they all come
23 through me. I not only review but I negotiate the
24 contracts, I work with the vendors, the consultants
25 directly on every line item in the contract.

1 Q But even before that you prepare a statement
2 of work which basically outlines what?

3 A What I want to be done?

4 Q Right.

5 A Right.

6 Q Okay. Did you do that on the contracts that
7 are in question during this conversation?

8 A The Premier Alliance contract, the first
9 contract for Marty Pollock, Crystal Communications or
10 Premier Alliance, I never saw that, I don't know if one
11 exists or does not exist. I never saw one. The quick look
12 contract from Frazier Communications I only know that it
13 existed after the fact.

14 Okay. The second contract for Frazier,
15 I saw the contract, it was already put together and it was
16 handed to me to say can you review this and take a quick
17 look at it. I looked at it and I said I don't like it and
18 they said okay and signed it anyway.

19 Q So you were out of the statement of work loop
20 in preparing the definition for these contracts?

21 A Absolutely.

22 Q I see.

23 A Now there was a third Frazier contract. If
24 you give me one second just so I can cover that, the third
25 Frazier contract. It came to me also as a can you review

1 this and see if it looks okay to you, and it was for seven
2 hundred and fifty thousand dollars at a time when we didn't
3 have money to spend by the way, it was for seven hundred
4 fifty thousand dollars and the rates that they were asking
5 for people were astronomical and out of line with anything
6 I've ever heard of. They wanted a data entry person to
7 make seventy-five dollars an hour, they wanted my phone
8 tech support people to make fifty-five dollars an hour. I
9 pay at the most from a contractor here locally thirty-one
10 dollars an hour. I said this is ludicrous, I said if you
11 sign this contract, I told my boss this, if you sign this
12 contract I'll make sure that the County Board of
13 Commissioners know that it's this far out of line. They
14 went back and that contract eventually went to the board and
15 got approved for four hundred and sixty some thousand, not
16 seven hundred and fifty thousand.

17 Q So it was negotiated down?

18 A No, it wasn't. I can tell you that also just
19 so you're aware. Lacy Thomas had a signing limit of five
20 hundred thousand dollars that did not have to go to the
21 board. So the seven hundred fifty thousand dollar contract
22 would have to be approved by the board. The four hundred
23 sixty-eight thousand dollar contract did not have to be
24 approved by the Board of County Commissioners. He signed
25 off on it himself.

1 BY MR. MITCHELL:

2 Q I'll ask a question and we'll come back to
3 you.

4 When you say that Lacy Thomas had five
5 hundred thousand dollars discretionary power to sign his
6 own contract without passing it by the board, do you know
7 that or is that what you were told?

8 A I was told that not only by our legal counsel
9 but by Lacy and by our accounting department. That was not
10 the case before Lacy got there.

11 Q But Lacy said that and legal counsel. Who is
12 the person who told you that?

13 A Don Haight. He's no longer our legal counsel,
14 he's retired, but at the time it was Don Haight.

15 Q Don Haight's official position was contract
16 negotiator, wasn't it?

17 A Yes. We used him as internal legal counsel
18 before it went to our assistant or deputy district attorney
19 Holly Gordon.

20 Q Okay. So Don Haight was actually working as
21 Lacy's contract advisor?

22 A Yes.

23 Q So he would be under Lacy; is that right?

24 A Yes.

25 Q Answerable to Lacy?

1 A Yes.

2 Q So you had heard that from Don Haight, from
3 Lacy and a third person --

4 A Our accounting department. I would say at the
5 time it probably came from Floyd Stevens, the controller.

6 Q Okay. Would he be answerable to Lacy too?

7 A At the time he would have been answerable to
8 Lacy. It's tough to say. We had a, we had a CFO, then the
9 CFO got fired by Lacy, we didn't have a CFO, then we got a
10 knew one that came from Chicago. So there were probably
2 11 times when he was answerable to the previous CFO, to Lacy
12 and then to the new CFO.

13 Q But you never heard that information from the
14 county, that he had a five hundred thousand dollar
15 discretionary --

16 A Not directly, no. I did hear it from my boss,
17 also I heard it from a number of different sources. It
18 didn't seem to be a rumor, it seemed to be fact.

19 Q But it was, it could all be traceable to the
20 same source as far as you knew, right?

21 A Again I couldn't tell you where my boss heard
22 that. I would say that he would have had a source other
23 than Lacy but, yes, it could have been Lacy, the source
24 could have all been Lacy. I don't know.

25 Q You hadn't ever received e-mail or any sort of

2 1 information from the county, from the Board of Hospital
2 Trustees or the Board of County Commissioners or from
3 Virginia Valentine or anything from the District Attorney's
4 Office?

5 A Not directly, no. My department runs, I have
6 a department within my division called CMO, which is
7 configuration management offices, and that particular
8 department handles all contracts for IT, they keep track of
9 them, they deal with Don Haight and with the deputy
10 district attorney at the county to make sure that all our
11 IT contracts only, that our IT contracts are in order. And
12 part of what we have to do is fill out a certain type of
13 paperwork if it's going to go to the Board of County
14 Commissioners and a different type of paperwork if it's not
15 going to go to the Board of County Commissioners. So at
16 some point in time before Lacy was there, anything over
17 twenty-five thousand dollars had to go to the Board of
18 County Commissioners. At some point after Lacy arrived we
19 were told we didn't have to do that anymore, that we only
20 had to do that if it was over five hundred thousand
21 dollars. So again the county didn't send anything
22 officially saying it, but I was given from every official
23 within UMC to do something different now that Lacy was
24 there.

25 ///

2

1 BY A JUROR:

2 Q I have one further question.

3 I used to do project management myself
4 and I've never heard the term dashboard, but from what
5 you've discussed it appears to be a multi-level per chart
6 that has been automated so that you can determine what is
7 going on within a specific project or a number of projects
8 to determine if the project is well or if it's at fault or
9 approaching at fault, that that fault gives you, you get
10 that indication on a display and it gives you the
11 capability of going down into that project level, whatever
12 it may be, where the fault is occurring. Is that correct?

13 A Absolutely. If you take it from a per chart
14 and go to a gants chart and you have milestones, right.

15 Q Got it.

16 A If you don't reach the milestones they go
17 yellow, if you don't reach too much it goes red, it's the
18 exact same concept, yes.

19 Q Thank you.

20 A You're welcome.

21 A JUROR: Could I have a question for the
22 district attorney after the witness has been --

23 THE FOREPERSON: Fine.

24 No further questions for the witness.

25 By law these proceedings are secret and

2 1 you are prohibited from disclosing to anyone anything that
2 2 has transpired before us, including evidence and statements
3 3 presented to the Grand Jury, any event occurring or
4 4 statement made in the presence of the Grand Jury, and
5 5 information obtained by the Grand Jury.

6 Failure to comply with this admonition
7 7 is a gross misdemeanor punishable by a year in the Clark
8 8 County Detention Center and a \$2,000 fine. In addition,
9 9 you may be held in contempt of court punishable by an
10 10 additional \$500 fine and 25 days in the Clark County
11 11 Detention Center.

12 Do you understand this admonition?

13 THE WITNESS: I do.

14 THE FOREPERSON: Thank you for your testimony.
15 15 You are excused.

16 THE WITNESS: Thank you.

17 MR. MITCHELL: I'm going to have a word with
18 18 him and then I'll come back in.

19 THE FOREPERSON: Dani, we'll go off the record
20 20 for a minute.

21 (Discussion off the record.)

22 MR. MITCHELL: On the record. The question.

23 A JUROR: Yeah. Counselor, in regard to the
24 24 five counts, the first five counts of the Indictment --

25 MR. MITCHELL: Yes.

2 1 A JUROR: -- it poses a question I can't
2 answer regarding the law that maybe you could help, and
3 that's really the point at which professional incompetency
4 resulting in a shoddy work product crosses the line into
5 criminal activity.

6 MR. MITCHELL: Well, the law as set forth in
7 the first five counts as I emphasized a little bit when I
8 was reading the legal instructions to you or instructing
9 you before we began has to do with the concept of taking
10 money that is entrusted to you for a particular purpose and
11 using it for other purposes outside that entrustment. And
12 so it is much like an embezzlement in that embezzlement
13 theory doesn't prove, doesn't require proof that somebody
14 was enriched, that the person doing the embezzling actually
15 put the money in their own pocket or their own bank
16 account, but that they used property in some way for
17 purposes outside the scope of what it was entrusted to them
18 for. And so the theft statute has been drafted by our
19 legislature to cover all sorts of different kinds of theft
20 and one of the kinds of theft that is covered is an
21 embezzlement type theft and that's the legal theory behind
22 the pleadings in Counts 1 through 5 is the word
23 entrustment, whether or not money given or allowed to be
24 disposed of by Lacy Thomas was used for the purpose that he
25 was hired to use it for. So the testimony on what the

3 1 money was entrusted for originally is not coming from every
2 witness because the only people that know what the money
3 was entrusted for in the first place are those that hired
4 him and the people that were over him that had oversight
5 over him and to whom he had to answer about the way the
6 money was being expended.

7 A JUROR: That's good. Thank you.

8 A JUROR: That clears it up.

9 MR. MITCHELL: And then the next five counts
10 relate back to the first five counts but they go directly
11 to the question of whether or not he was using funds
12 assigned to him to govern at UMC for the private enrichment
13 of himself or some other person.

14 A JUROR: I understand. Thank you.

15 MR. MITCHELL: Okay. Are we ready for the
16 next witness?

17 THE FOREPERSON: Yes.

18 Please raise your right hand.

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

23 MR. CALUYA: Yes, I do.

24 THE FOREPERSON: Please be seated.

25 MR. CALUYA: Thank you.

3 1 THE FOREPERSON: You are advised that you are
2 here today to give testimony in the investigation
3 pertaining to the offenses of theft and misconduct of a
4 public officer involving Lacy Thomas.

5 Do you understand this advisement?

6 MR. CALUYA: Yes, sir.

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

9 MR. CALUYA: Chris, C-h-r-i-s, Caluya,
10 C-a-l-u-y-a.

11
12 CHRIS CALUYA,
13 having been first duly sworn by the Foreperson of the Grand
14 Jury to tell the truth, the whole truth, and nothing but
15 the truth, testified as follows:

16
17 EXAMINATION

18
19 BY MR. MITCHELL:

20 Q Mr. Caluya, whom do you work for?

21 A Park and Sullivan Constructors.

22 Q Did Clark and Sullivan receive a contract to
23 build the northeast tower of UMC a few years ago?

24 A Yes.

25 Q And Clark and Sullivan was the general

3 1 contractor on that project; is that right?

2 A That's correct.

3 Q And for the benefit of the members of the
4 Grand Jury, if you are a general contractor for that
5 project, what is the scope of that contract?

6 A The scope of this particular contract was to
7 demolish existing and build a new northeast tower and
8 remodel the south wing of the hospital.

9 Q So you were to build a new structure that
10 wasn't there when you started; is that right?

11 A Yes.

12 Q After you had torn down the one that was
13 there?

14 A Yes. There was some small out buildings and a
15 parking lot where the new tower was going to go.

16 Q As part of building a new tower, were you also
17 going to be responsible as general contractor for the
18 landscaping around that tower?

19 A No, that was not included in our contract upon
20 award.

21 Q Okay. What about whether or not the power
22 feed from Nevada Power would be included in wiring the
23 building?

24 A The main feed to our area was not included in
25 our contract at that time.

3

1 Q Okay. Was it later added?

2 A It was.

3 Q Okay. And how did that come about?

4 A It was added through a change order to bring
5 the main power feed from an off-site location to an on-site
6 location where we would hookup to it under our original
7 scope of work.

8 Q Okay. So did you get paid, did your company
9 get paid to provide the power feed?

10 A Yes.

11 Q And so then you were going to hire some
12 subcontracting company to actually do that work?

13 A Yes.

14 Q Okay. And would it be within the purview of
15 your contract to decide who the subcontracting company was
16 going to be to bring in the power?

17 A Our normal course would be to accept proposals
18 from subcontractors to provide this scope of work, whatever
19 it may be, going out and soliciting bids for it, and
20 recommending the most responsive and economical bid to the
21 owner.

22 Q So when you submitted your proposal as general
23 contractor, when you were bidding on the project as, when
24 the company Clark and Sullivan was bidding on the project
25 overall, did they include in their bid the anticipated

3 1 costs for hiring a subcontractor to bring in the power?

2 A No.

3 Q Okay. Why was that?

4 A It was not part of -- we get a set of contract
5 documents that tells us what we should and shouldn't bid.
6 Those weren't included in our original documents.

7 Q So the bid that you produced or your company
8 produced was just the expense of erecting the structure or
9 what was it; what did it include?

4 10 A It included everything in regards to that
11 particular tower. There is a station on-site where you
12 connect the main panels and the power coming to that
13 station to energize the new work we were doing had not been
14 designed in time for the original bid.

15 Q Okay. Is that the reason it was left out of
16 the bid?

17 A Yes.

18 Q Okay. Later the bid was altered or modified
19 to include that cost?

20 A Later it was brought into the contract by
21 change order.

22 Q Okay. And what is the change order process
23 you're talking about here?

24 A When the owner wishes to expand or decrease
25 the scope they have the right to tell us they want to make

4 1 it bigger or they want to make it smaller, change order
2 process is to price it up and effect the change on the
3 value of the contract.

4 Q Do you recall who was hired eventually as a
5 subcontractor to do that work, the power feed work?

6 A Yes, I do.

7 Q Who was that?

8 A Fast Track Electric.

9 Q Is that an electrical contractor here locally?

10 A Yes, it is.

11 Q Did several companies bid on that?

12 A Yes, they did.

13 Q About how many do you think bid, do you
14 recall?

15 A I don't recall all of their names but I would
16 say three to four.

17 Q And are there certain requirements for any of
18 these companies to be bidding in the first place on
19 something like that?

20 A Being a qualified, licensed electrical
21 contractor would be the requirements.

22 Q So would your company Clark and Sullivan even
23 consider them if they weren't experienced in the field and
24 licensed to do that specific type of specialized work?

25 A Oh, absolutely not. We're a licensed general

4 1 contractor, we have to hire licensed subcontractors.

2 Q And is your own reputation as a company on the
3 line if you hire somebody to do work that they're not
4 qualified for?

5 A Absolutely.

6 Q Okay. If you were to estimate the amount of
7 money that was paid to this subcontractor to bring in the
8 electrical feed, what do you think was paid under that
9 contract?

10 A It was approximately five hundred thousand
11 dollars.

12 Q Okay. Now the contract for that service was
13 awarded to Fast Track Electric; is that the name of the
14 company?

15 A Yes.

16 Q And did they end up performing the work?

17 A Yes, they did. Fast Track is a well-qualified
18 electrical subcontractor. They're known for their off-site
19 electrical work. They executed the work without problem.

20 Q Okay. With respect to the landscaping, was
21 that also added to your general contract by virtue of a
22 change order?

23 A The landscape scope itself was not. A portion
24 to supervise under a separate contract was.

25 Q Okay. And who was the contractor that got

4
1 that?

2 A The change order that we received included the
3 cost of the electrical executed by Fast Track as well as a
4 subcontract to TBL to supervise the electrical work as well
5 as the future landscape work.

6 Q So before we get into TBL too much, when all
7 the original change orders had gone through to the original
8 general contract, landscape was still not included; is that
9 correct?

10 A That's correct.

11 Q But the electrical was included after a while
12 and that contract was for about a half a million dollars?

13 A That's correct.

14 Q All right. Now did there come a time when you
15 became aware that a request was being made by Lacy Thomas
16 of UMC to add another company to this general contract that
17 you had?

18 A Yes.

19 Q Was that the TBL Construction that you
20 mentioned?

21 A Yes.

22 Q Now did you know anything about TBL
23 Construction?

24 A I have had cause to work with them before on a
25 subcontract.

4 1 Q How would you describe that company?

2 A Smaller general contracting firm.

3 Q Would they have been qualified to manage the
4 installation of the power feed to UMC northeast tower
5 project?

6 A Yes, they would have been qualified to manage
7 it.

8 Q Did they even bid on it?

9 A I don't know how their, how they bid their
10 scope of work.

11 Q But when the contract was awarded to Fast
12 Track for approximately a half a million dollars, that was
13 after a bid process, correct?

14 A The bid process for the electrical work, yes.

15 Q And TBL had not put in a bid for that
16 contract; is that right?

17 A No, not for them to do the work themselves,
18 no.

19 Q Okay. And so at some point you became aware
20 that, or did you become aware that UMC through Lacy Thomas
21 was requesting that another change order go in allowing TBL
22 to come in and manage or oversee the installation of the
23 electrical feed to the northeast tower?

24 A This was done simultaneously. As we learned
25 that we were going to be getting the off-site electrical

5 1 put under our contract, we were asked to put TBL under our
2 2 contract to supervise that work.

3 Q Okay. Did that work need any supervision?

4 A All the work needs supervision. Did we need
5 5 an additional company? We didn't need an additional
6 6 company to supervise it.

7 Q So if Fast Track had fulfilled the contract
8 8 exactly the way they were supposed to they would have
9 9 supervised their own electrical installation; is that
10 10 correct?

11 A Yes, they would have.

12 Q So to add a company to oversee what Fast Track
13 13 was already doing, was that what you would call
14 14 unnecessary?

15 A Yes.

16 Q Was it an added expenditure that was a waste
17 17 of money in your opinion?

18 A In my opinion.

19 Q Now do you know whether -- did this change
20 20 order actually go through?

21 A Yes, it did.

22 Q And would you just briefly describe how these
23 23 change orders work. What kind of approval is needed and
24 24 who submits them in the first place and how does it come to
25 25 pass?

5 1 A The change order process, you have to
2 competitively price the scope of work no matter what you're
3 doing, unless you're already under a specific scope, you
4 solicit the prices from the subcontractors, you review them
5 with the owner's representative and the architect and
6 everybody scrutinizes whether scope is complete, whether
7 the dollar amount is competitive and within industry
8 standards, after that review by the general contractors the
9 architect and the owner, it goes through the change order
10 process for approval.

11 Q And what is the process? Who signs off on
12 these changes?

13 A The general contractor signs off, the
14 architect of record, the owner's representative in the
15 field and the CEO for UMC.

16 Q Okay. So you got a request, your company got
17 a request to do a change order allowing TBL Construction to
18 come in and look over the shoulder essentially of Fast
19 Track as they installed the power feed. Who did that
20 change order request come to within your company?

21 A I was informed verbally by the director of
22 construction from UMC that they finally got the design on
23 the off-site electrical because it was a matter of concern
24 and that they were going to be adding it to our contract by
25 change order and that with that we would be adding Fast

5 1 Track Electric (sic) as a supervising subcontractor to Fast
2 2 Track Electric, and future landscape subcontractor for the
3 3 hospital, and I was advised this by the owner's rep.

4 Q Now did you mean Fast Track or TBL?

5 A Well, they all come under one change order.
6 Fast Track's addition of the off-site electrical feed was
7 an absolute necessary and valid situation that had to
8 occur, the power was three blocks away, the building
9 connection was on the edge of UMC property, we had to get
10 it there, this was not a question. It was executed by Fast
11 Track professionally, legitimately, it all went very well,
12 they were paid for the work, that was never a question in
13 my mind. My mind questioned the need to add TBL as a
14 supervising contractor when they would be doing nothing
15 different than Clark and Sullivan already did on the site
16 as a supervising general contractor.

17 Q So Clark and Sullivan was already under
18 contract to oversee what Fast Track did?

19 A No, we were already under contract to oversee
20 the original scope of work.

21 Q But what TBL was now being proposed to do was
22 already going to be done by somebody else under the
23 contract?

24 A Could have been.

25 Q Okay. You said that the expenditure of money

5 1 was not necessary because why?

2 A We were already on-site. That's the same
3 scope of services we did for the original based contract,
4 another half a million dollars worth of scope was not a
5 problem for us to take on and supervise.

6 Q Okay. So when this change order comes, did it
7 come to you to sign off on?

8 A It did.

9 Q And what was your response when you saw this?

10 A My response was to the effect that hiring TBL
11 on top of this change order was a wasted expense.

6 12 Q So did you refuse to sign it or what did you
13 do?

14 A I didn't refuse. I was told this is getting
15 added to the contract. Within the documents of a public
16 works general contract the owner pretty much tells us what
17 to do and --

18 Q In that case would that be UMC would tell you
19 what to do?

20 A Yes.

21 Q Okay. So they were saying that this was going
22 to be done, but they were going to pay you extra for that?

23 A They did pay us our standard markups to add
24 the change order, yes.

25 Q Even though you didn't think it was necessary?

6 1 A That's correct.

2 Q Now did you complain to somebody or did you go
3 to anybody to talk about this, why this extra contract with
4 TBL was being added?

5 A I had a conversation with the director of
6 construction.

7 Q And that's somebody that works for UMC?

8 A Yes.

9 Q Okay. And you expressed your concerns to that
10 person?

11 A Yes.

12 Q What were you told?

13 A I was told that this is what the CEO wanted
14 and these are our marching orders and this is how we're
15 going to do it.

16 Q So you signed off on the contract ultimately?

17 A Yes, we did, on the change order.

18 Q On the change order.

19 And after that, as the work proceeded on
20 the power feed, did TBL show up and do any work themselves?

21 A TBL did the original bid soliciting for the
22 power feeds, they're the people who got the original three
23 or four subcontractors to bid it. They did some paperwork
24 on the front end. I met with them a couple of times to
25 sort out the terms and conditions of their subcontract with

6 1 me. They visited the site sporadically is the best I could
2 tell you.

3 Q How long did it take that Fast Track project
4 to take place to get the power feed there?

5 A I don't specifically recall. It's about a
6 three month process.

7 Q And during that time you say that somebody
8 from TBL would show up sporadically?

9 A Yes.

10 Q Do you know when they would show up if they
11 would talk to anybody or how they would check to see if the
12 work was being done properly?

13 A I'm not on-site every day. I have other
14 projects that I manage from the office so I can't tell you
15 exactly how many times they were there and who they talked
16 to.

17 Q Okay. As you sit here today do you know of
18 anything that they provided that wouldn't have been
19 provided all by itself without their involvement?

20 A My concern was what they were being asked to
21 do for an additional fee was nothing different than we were
22 doing or capable of doing for our current presence on the
23 project. Their addition was not required to execute the
24 work in my opinion.

25 Q Okay. And you knew where the funds for UMC

6 1 came from; is that right?

2 A Yes, I did.

3 Q You knew that UMC was a taxpayer supported
4 entity?

5 A We've done our best on that project to make
6 sure all our I's are dotted and T's are crossed. It's a
7 public fund. It comes under public scrutiny. That was my
8 initial objection to the addition was that it was a waste
9 of taxpayer money.

10 Q Did you express yourself on what you thought
11 the nature of this whole idea was of involving TBL
12 Construction?

13 A I don't understand the question.

14 Q Well, did you think there was something wrong
15 about what was being suggested for them to be involved like
16 that?

17 A Just by way of the, not a need to spend the
18 funds for it.

19 Q Okay. You thought it was a waste of taxpayer
20 money?

21 A Yes, I did.

22 Q Okay. Now you said that what they did do that
23 you didn't think was necessary was solicit the bids from
24 the people that actually did the work?

25 A Yes.

6 1 Q But that is something you would normally do,
2 2 your company would normally do in the process of securing
3 3 subcontractors, right?

4 4 A Absolutely.

5 5 Q To your knowledge they didn't show up and
6 6 correct somebody in the way they were drilling the conduit
7 7 ditch or whatever, anything like that, while the work was
8 8 actually being done?

9 9 A Not to my knowledge. I'm not involved in the
10 10 field day-to-day issues.

11 11 Q Okay. Alonzo Barber, is that the owner of TBL
12 12 Construction?

13 13 A Yes.

14 14 Q Is it him that you dealt with when you were
15 15 dealing with them?

16 16 A I have dealt with him. I had a project
17 17 manager at the time, his name was Jeff Contenta (phonetic).
18 18 I can't help you spell it.

19 19 Q So did you tell him, did you tell him what you
20 20 expected him to do or did he tell you? How did that
21 21 conversation go since you thought that --

22 22 A No. We understood that we were going to be
23 23 having TBL under our general contract to supervise the
24 24 electrical, off-site electrical installation and the future
25 25 landscape. We didn't have a full understanding of what

7 1 TBL's scope and duties were at that time.

2 Q Okay. Now the landscaping, did it ever get
3 done while Clark and Sullivan was on that project?

4 A Not to date.

5 Q Okay. And yet was TBL hired to be in charge
6 of future landscaping?

7 A Correct.

8 Q Were they actually paid for that?

9 A No, they weren't.

10 Q So they were only paid for the supervision of
11 the electrical feed; is that right?

12 A Yes.

13 MR. MITCHELL: Nothing further. If anybody
14 would like to ask a question.

15 THE FOREPERSON: Finnie.

16 BY A JUROR:

17 Q You mention that the TBL is there
18 sporadically. How often in the normal situation, how often
19 should they be there or should they be involved in the
20 project?

21 A In supervising that scope of work, a couple of
22 times a day would be fair to check on them.

23 Q Okay. How about the Fast, the other company,
24 the one who is actually doing the job, what was there
25 comment or --

7 1 A Their involvement was very standard. They
2 competitively bid the work, they installed the work as
3 requested. They are a good subcontractor. There was never
4 any concern that the electrical portion, there was never
5 any concern over that. It was a needed part of the work.
6 People who did it are professional, excellent contractors,
7 fully qualified. That was never the issue at hand.

8 My initial reaction at the meeting I was
9 told to do it was it isn't required to go out and spend
10 another seventy thousand dollars for what we're, for
11 getting nothing more than what my company was already doing
12 at the time. But rest assured the electrical portion of
13 the work was required, put in by qualified people, that was
14 never a doubt. The supervision of that and the future
15 landscape was what the concern was.

16 Q Thank you.

17 A And as this issue became more known the
18 construction manager for the hospital and myself decided
19 that it would be better to cancel the balance of TBL's
20 contract and to credit it back to the owner so today no
21 contract exists with TBL and Clark and Sullivan for that
22 supervision of future landscape.

23 BY MR. MITCHELL:

24 Q Why was that canceled after the fact to the
25 best of your knowledge?

7 1 A We didn't think it was a good idea at the
2 time. As it panned out we were right, the landscaping
3 hadn't been done, we thought it was prudent to eliminate
4 it.

5 Q Were you concerned about the existence of that
6 change order with TBL reflecting poorly on your company in
7 any way?

8 A Knowing that it wasn't the right thing to do
9 to start with had the potential for it to reflect poorly on
10 our company, that's one of the reasons I made my opinion
11 known at the time, and that wasn't something that we were
12 an advocate of.

13 Q Okay. But it was bottomline UMC trying to pay
14 you more money, your company more money for purposes known
15 only to them; is that what it boiled down to?

16 A Well, for that portion of the change order.
17 For that seventy percent, seventy thousand dollar portion
18 of the change order we give, if we get added scope the
19 contract calls for legitimate markup and overhead. The
20 majority of this was legitimate, was exactly what had to
21 happen and happened properly.

22 Q That being the Fast Track --

23 A Yes, sir, without question, that wasn't ever a
24 problem in our minds. It was the supervision addition
25 element that we objected to.

7 1 Q Did you, not to put words in your mouth, and
2 2 you tell me if I'm mischaracterizing it, did you feel that
3 3 somebody was getting a kickback?

4 4 A No, I didn't feel someone was getting a
5 5 kickback. The explanation to me was that the CEO wanted
6 6 more diversity in the project. Our contract didn't require
7 7 diversity when it was bid and it was clear that this was a
8 8 way to add more diversity to the project.

9 9 Q Okay. So when you bid out this project in the
10 10 first place as your company, you didn't have to state how
11 11 many minority members you had working for you or diversity
12 12 was not part of the original requirement?

13 13 A No, sir, it was not.

8 14 Q Okay. And Alonzo Barber, what is his
15 15 ethnicity?

16 16 A African American.

17 17 Q Okay. And so the explanation was made to you,
18 18 or did you just infer that because he was African American
19 19 and Lacy Thomas was African American that that's why he was
20 20 being added on through a change order?

21 21 A I was told that in order to promote more
22 22 diversity through the director of construction at UMC that
23 23 we would be hiring TBL to administer this electrical and
24 24 this future landscape.

25 25 Q Okay.

8 1 A That they wanted to run it through our general
2 contract.

3 Q All right. Were they paid eventually seventy
4 thousand dollars or thirty-five thousand dollars?

5 A Thirty-five.

6 Q They were going to get seventy but because the
7 landscaping portion was eventually withdrawn they only
8 ended up with thirty-five?

9 A That's correct.

10 MR. MITCHELL: Anymore questions by anyone?

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

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

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

25 Do you understand this admonition?

8 1 THE WITNESS: Yes, sir.

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

4 THE FOREPERSON: Ten minute break.

5 (Recess.)

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

12 MR. WHITELEY: I do.

13 THE FOREPERSON: Please be seated.

14 MR. WHITELEY: Yes, sir.

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

19 Do you understand this advisement?

20 MR. WHITELEY: Yes, sir.

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

23 MR. WHITELEY: Robert Whitley. First name is
24 spelled R-o-b-e-r-t, last name is W-h-i-t-e-l-e-y.

25 ///

8 1 ROBERT WHITELEY,

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

5
6 EXAMINATION

7
8 BY MR. MITCHELL:

9 Q Sir, whom do you work for?

10 A Las Vegas Metropolitan Police Department.

11 Q Are you a detective with the department?

12 A Yes, sir.

13 Q What section are you working with the
14 department?

15 A Criminal intelligence.

16 Q Did you have occasion to join in the
17 investigation of Lacy Thomas and UMC?

18 A Yes, sir, I did.

19 Q And when did you first start working on that
20 case?

21 A December of 2006. From the very beginning.

22 Q At whose behest did you start working?

23 A That would be chain of command, but it was
24 originally brought to our attention through David Roger.

25 Q The District Attorney?

8

1 A Yes, sir.

2 Q And then you worked with Mike Ford?

3 A Yes, sir.

4 Q Okay. Were you with Mike Ford when Lacy
5 Thomas was interviewed on multiple occasions?

6 A Yes, sir.

7 Q During those interviews was a point made to
8 ask about Lacy Thomas' relationship with different people
9 whose companies had contracted with UMC?

10 A Yes, sir.

11 Q Did you ask him whether he knew Bob Mills of
12 ACS before he had been hired at UMC?

13 A Yes, sir.

14 Q What was his response?

15 A He said that they had known each other from
16 Chicago.

17 Q Okay. Did he indicate whether he had dealt
18 with him as part of his job in Chicago?

19 A I believe they worked in a professional basis
20 through a separate company in Chicago.

21 Q Did you ask him his relationship with Greg
22 Boone --

23 A Yes, sir.

24 Q -- of Frazier Consulting?

25 A Yes, sir.

8 1 Q What did he say his relationship was with Greg
2 Boone?

3 A He -- I'm going to have to refer to my notes.
4 I know that they, there was talk of them being friends, but
5 I don't remember exactly if he said they were friends or
6 what the exact words, so if I could refer to my notes.

7 Q Sure. Would that refresh your memory?

8 A Yes, sir.

9 Q Okay.

10 A And actually what I'm referring to is not my
11 physical notes, it's the interviews that were conducted
12 with Mr. Thomas.

13 Q The transcript of the interviews?

14 A Yes, sir.

15 Q Okay.

16 A They first knew each other from college, they
17 went to college together, and then they didn't get
18 reacquainted until I think 1991 or sometime around that
19 time.

20 Q So he had known Greg Boone for a long time?

21 A Yes, sir.

22 Q Did he admit that he was close friends with
23 him or did he just say he was acquainted or how did he
24 characterize that relationship?

25 A I don't see where it specifically says if he

8 1 characterized if they were friends or actual work
2 associates so -- I'm still looking.

3 Q Okay. Based on having found out that Greg
4 Boone and Lacy Thomas had first met in college and went
5 back that far, did you later determine that you wanted to
6 talk to Greg Boone?

7 A Yes, sir.

8 Q Did you personally interview him?

9 A Yes, sir.

10 Q And just to backup a little bit.

11 When you were interviewing Lacy Thomas,
12 that happened on three separate occasions; is that right?

13 A Yes, sir.

14 Q When you went to interview Greg Boone where
15 did that interview take place?

16 A It took place in Chicago.

17 Q And was anybody else present besides yourself
18 and Greg Boone?

19 A Yes, sir. There was an FBI agent there named
20 Special Agent John Rouske. It's spelled -- let me get the
21 spelling for you. R-o-u-s-k-e.

22 Q And you kept track of what was said by
23 recording it with a little hand held recorder or how did
24 that happen?

25 A No, sir, at the time we just took notes.

9 1 Q Okay. So if you answer questions about this
2 conversation with Greg Boone, will it be based on your
3 recollection of your notes or did you later generate a
4 report based on those notes?

5 A I later generated a report, sir.

6 Q Okay. And the members of the Grand Jury, are
7 instructed that if mention is made of an FBI agent you are
8 not to take that as evidence of guilt or just being anymore
9 serious of a matter just because there is an FBI agent
10 there. It's just to establish the setting wherein these
11 conversations took place.

12 And Mr. Boone was not in custody at the
13 time you were talking to him; is that correct?

14 A No, sir.

15 Q He agreed to talk to you?

16 A Yes, sir.

17 Q It was a voluntary conversation?

18 A Yes, sir. We called him and he agreed to meet
19 with us.

20 Q Where in Chicago did it take place?

21 A I knew you were going to ask me that. You
22 know I'm not familiar with Chicago and he was kind of
23 driving me around, so it wasn't exactly in downtown
24 Chicago, it was one of the suburbs of Chicago, but I
25 couldn't tell you the exact location.

9 1 Q Was it a home or an office?

2 A It would have been a Starbucks attached to a,
3 I think it was a hotel. And it was near somewhere where he
4 was working, around there or something.

5 Q Okay.

6 A But I couldn't tell you the exact location.

7 Q To your knowledge did Greg Boone claim that he
8 had ever lived here in Southern Nevada?

9 A He did not claim he lived here at all.

10 Q Did he even have a business license to work
11 here?

12 A No, we could not find one through our
13 research.

14 Q You sat down and you asked him a series of
15 questions. Did you ask him what his relationship was to
16 Lacy Thomas, how he characterized that?

17 A Yes. He basically stated the same thing as
18 Lacy Thomas. He said he met him in college, knew him
19 through college and then met several years later and he
20 stated that they had worked together in several
21 professional capacities.

22 Q So that had begun anew in 1991 and continued
23 on?

24 A He didn't specifically say 1991. He said
25 later, but it was Mr. Thomas that said 1991.

9 1 Q Okay. Did he admit to you whether he had
2 worked at Stroger Hospital under Lacy Thomas?

3 A Yes, he admitted to working there. It was
4 Cook County Hospital which is now Stroger Hospital.

5 Q Did he claim to have any experience in project
6 management or anything of that sort, for example creating a
7 project manager's office or managing ongoing construction
8 projects or --

9 A Well, he said the reason why he had hired Lori
10 Threatt and Ralph Reed was because of their experience in
11 project management offices.

12 Q So he claimed that he didn't have any himself?

13 A Well, not didn't have any, but he claimed that
14 he wasn't experienced in project management offices.

15 Q Okay.

16 A I believe, according to this I believe he did
17 do some project management office work according to him
18 through Stroger Hospital.

19 Q What had been his position at Stroger
20 Hospital?

21 A He was the -- let me get you the exact name.
22 I want to say he was the chief officer for information
23 systems.

24 Q Chief information officer?

25 A Well, if, according to my notes he was awarded

9 1 a contract through Lacy Thomas at Cook County Hospital and
2 2 it was for several hundred thousand dollars in the pharmacy
3 3 department.

4 4 Q Pharmacy department?

5 5 A Yes, sir.

6 6 Q Now did he, did he say what he had done for
7 7 UMC as part of the contract that he later got with Lacy
8 8 Thomas?

9 9 A As far as the job detail or --

10 10 Q Yes. You said that he had hired
11 11 subcontracters to, or that he hired Lori Threatt and some
12 12 other person to actually do the project manager's office
13 13 work; is that right?

14 14 A Well, originally I think the first contract,
15 15 he stated that he was first hired to come in and do a quick
16 16 look evaluation which was according to him a term that he
17 17 came up with and basically it was a contract that had him
18 18 come in and do basically what it states, a quick look to
19 19 see if their IS department is up to standard and if it's
20 20 running right. The first quick look I believe was for
21 21 twenty-four thousand dollars and he came in there and did
22 22 that and then after the first contract I believe is when he
23 23 started to implement the PMO project. What's kind of
24 24 unclear is Ralph Reed dealt with PMO projects, which is
25 25 project management offices, and Ralph Reed had been there

10 1 from the beginning, so it's unsure if that was the plan
2 from the beginning or if he was specifically supposed to do
3 IS work.

4 Q Okay. Did Greg Boone actually collect -- or
5 the second contract was for two hundred and eighty-six
6 thousand you said or --

7 A The first one was for twenty-four thousand
8 dollars and the second one was for two hundred forty
9 thousand dollars.

10 Q Okay. Did he actually collect that money?

11 A Yes.

12 Q Now did you also talk to Lacy Thomas about
13 what his relationship was with Martello Pollock?

14 A Yes, sir.

15 Q And how did he characterize that relationship?

16 A Let me again refer to the notes because I
17 don't want to mischaracterize it.

18 I know for a fact they were definitely
19 business associates through Stroger County Hospital, but I
20 want to see if he characterized himself as more of a
21 friendship type thing.

22 Q Did you later participate in the execution of
23 the search warrant at UMC?

24 A Yes, sir.

25 Q And were things seized such as was a

10

1 photograph seized that showed Martello Pollock and Greg
2 Boone and Lacy Thomas in the same picture together at a
3 wedding?

4 A Yes, sir.

5 Q Okay. Did Lacy Thomas gradually admit what
6 his relationships were with people or was he up front about
7 it from the very beginning of the interviews?

8 A He was never up front about, you know, some of
9 the stuff. We kind of had to drag it out of him. As far
10 as Martello Pollock, I couldn't say if he was up front.
11 I'd have to find it real quick in here. There was a couple
12 interviews where we had to drag out some more information
13 and find out their actual true relationship that we later
14 found out when we asked him at a different time.

15 Q Was that the case with Orlando Jones?

16 A Yes.

17 Q When you first asked him about Orlando Jones
18 do you recall generally what his response was?

19 A He said they were business associates.

20 Q Was Orlando Jones also from Chicago?

21 A Yes, sir.

22 Q And did he, did Lacy Thomas tell you what the
23 relationship was between Orlando Jones and Martello
24 Pollock?

25 A I don't remember that part of the

10

1 conversation, sir.

2 Q Did you go to Chicago to check on their place
3 of business or was that done by other people?

4 A That part of the Chicago trip was done by
5 other people.

6 Q Okay. Did Lacy Thomas talk to you about the
7 contract that he had entered into with Orlando Jones?

8 A Yes, sir.

9 Q And what did he say about that, what had
10 Orlando Jones offered to do for UMC and what did he get
11 paid to do?

12 A It was communications contract.

13 Are we talking about Premier Alliance or
14 Crystal Communications?

15 Q Premier Alliance.

16 A All right. Premier Alliance would have been
17 the first one, and I don't remember the exact details of
18 the contract, I'd have to look at it, but it was for
19 communications I believe, phone type issues.

20 Q And under that first contract was Orlando
21 Jones' company supposed to provide some sort of an
22 inventory of existing communications equipment or
23 communications systems at UMC?

24 A Yes, sir, I believe that was the case.

25 Q Okay. And did he say whether or not Orlando

1 Jones generated any report or any deliverable at all as a
2 result of that contract with UMC?

3 A I don't remember if he said it but I know
4 there was something that we got from Premier Alliance, but
5 I don't remember if he said it.

6 Q Okay. Did he try to, did he initially
7 disclose his personal relationship with Orlando Jones?

8 A Initially?

9 Q Yes.

10 A No.

11 Q Was that only discovered through you asking
12 further questions?

13 A Yes, sir.

14 Q Okay. And did he, did you ever talk about the
15 need of him in his position to fully disclose who the
16 principals were of a company when a contract was entered
17 into that, entered into with that company?

18 A Repeat that again. I'm sorry.

19 Q Did you ever discuss with Lacy Thomas whether
20 or not he was aware of the need to disclose that he was
21 doing business with companies owned by friends? Was that
22 general topic ever discussed with him?

23 A I don't recall. I'm sorry.

24 Q Okay.

25 A If I could refer here I could tell you that.

11 1 Q Okay. Well, I'll give you a chance in just a
2 second here.

3 But did you form an opinion as to why he
4 was not admitting or not mentioning Orlando Jones initially
5 when you were speaking with him?

6 A Yes.

7 Q What was your opinion based on?

8 A Well, my opinion was based on the fact that he
9 was trying to conceal it.

10 Q Okay. And when he was trying to conceal, what
11 were the questions that you were asking that he was not
12 giving full answer to?

13 A Well, some of the questions we were asking was
14 we asked about the trip to Aruba, and I don't want -- like
15 I said, unless I refer to it I don't want to, I don't want
16 to do it off the top of my head because I don't want to get
17 it wrong.

18 Q Did he admit that he had taken a trip to
19 Aruba?

20 A Yes.

21 Q And why were you asking about him going to
22 Aruba?

23 A Because there was questions on who had paid
24 for that trip to Aruba and the information we got was only
25 what he provided us with the, what he had as far as the

11 1 flight schedule and who paid for it, and he only gave us
2 part of the entire trip so we only got one part of the
3 itinerary.

4 Q Did he initially admit that he had gone to
5 Aruba but claimed that he had paid for the trip himself?

6 A Yes.

7 Q And he and his wife had gone together?

8 A Yes.

9 Q Did he initially say whether or not they had
10 gone with anybody?

11 A I don't believe he initially stated that he
12 went with Orlando Jones. I think it was later on when we
13 continued on with the questioning that he admitted that he
14 went with him.

15 Q Okay. So you had become aware that he had
16 gone to Aruba. How did you find that out?

17 A It was one of the first initial allegations
18 that he had taken a flight to, I want to say it was St.
19 Croix or St. Thomas islands to one of the hospitals and so
20 in doing that we did some investigation to see if he
21 actually took a flight and we found out that he went to
22 Aruba.

23 Q Did you obtain financial records or something
24 through a search warrant or --

25 A I think it was through a Grand Jury subpoena

11 1 we obtained his financial records to find out that there
 2 was a trip or -- no, it was through flight information I
 3 believe.

 4 Q After he had said that he had gone there with
 5 his wife and he claimed that he had paid for it himself, on
 6 a later occasion did you present him with additional
 7 evidence and question him about whether he had actually
 8 paid for it himself?

 9 A That would have been the third interview and I
 10 don't remember if we posed that question to him.

 11 Q Do you remember what the circumstances were
 12 under which he was more forthcoming in mentioning Orlando
 13 Jones?

 14 A Do I remember the circumstances?

 15 Q Yeah. What made him finally admit that he
 16 knew Orlando Jones or that he had a close connection with
 17 him?

 18 A The trip to Chicago was what revealed his
 19 Orlando Jones' relationship with Family Guidance Center
 20 and he was a consultant for Family Guidance Center. And
 21 that's how we found out that Family Guidance Center was
 22 paying his wife Henrene Thomas, so that's when we kind of
 23 solidified the relationship between the three.

 24 Q And did he admit that Family Guidance Center
 25 was paying his wife?

11 1 A I believe so, yes.

2 Q Okay. Did he finally admit at some point that
3 he had gone to Aruba with Orlando Jones and Orlando Jones'
4 wife?

5 A Yes.

6 Q Did he admit that Orlando Jones had paid for
7 that?

8 A I don't remember if he ever admitted to it.
9 I'd have to look.

10 Q Did you find that out through your own
11 investigation?

12 A Yes.

13 Q But you can say for certain without checking
14 any records even right now that initially he denied --

15 A Yes, he did not inform us that they went to
16 Aruba that was paid for by Mr. Jones.

17 Q And he did not initially disclose that he knew
18 that Martello Pollock and Orlando Jones were affiliated
19 with each other?

20 A Yes.

21 Q But later he did admit that or did he never --

22 A I'd have to look. I don't remember that part
23 of it. I'm sorry.

24 Q Okay.

25 A It was like five, fifteen of these we did.

12

1 Q As part of your investigation you did
2 determine though that the two of them actually had the same
3 place of business; is that correct?

4 A Yes. Yes.

5 Q In Chicago.

6 A Yep.

7 Q Occupied the same office?

8 A Yes.

9 Q Martello Pollock was the owner of Crystal
10 Communications?

11 A Yes. And you know come to think of it he did
12 admit his relationship with, Orlando Jones' relationship
13 with Martello Pollock.

14 Q Okay. Did Martello Pollock and Orlando Jones
15 and Lacy Thomas belong to any common organization or did
16 they have any affiliations?

17 A They were both involved with the fraternity
18 Alpha Phi Alpha.

19 Q Okay. And you say they were both. Were all
20 three of them part of that fraternity or do you recall?

21 A I believe so, yes, sir.

22 Q Okay. And also did Lacy Thomas admit to
23 Orlando Jones having some management over Lacy Thomas' own
24 finances?

25 A Did Orlando Jones admit to having some

12

1 management over Lacy?

2 Q Did Lacy Thomas admit that Orlando Jones had
3 given Lacy Thomas financial advice or investment advice?

4 A I don't remember that part of the
5 conversation.

6 Q Let me ask you this: Did Lacy Thomas admit
7 that he had owned property and sold it for profit, river
8 front profit in Chicago?

9 A Yes.

10 Q Did he say who had turned him onto that deal
11 or who had gotten him involved in that investment?

12 A I believe it was Orlando Jones.

13 Q Did he, when all the questioning was coming to
14 a conclusion, admit that he was a close friend of Orlando
15 Jones?

16 A Yes.

17 Q And that he and his wife had been doing things
18 socially, traveling together with Orlando Jones and his
19 wife for sometime?

20 A Yes.

21 Q And now if you would go ahead and see if you
22 can find where he described, or Lacy Thomas described his
23 relationship with Martello Pollock.

24 A All right. I've got to make a correction.
25 They did go to college together, Martello Pollock and Lacy

12

1 Thomas, but he said they were not in a fraternity together.
2 So it would have been him and Orlando Jones that would have
3 been in Alpha Phi Alpha.

4 Q But he did know Martello since college?

5 A Yes.

6 Q Is that true with Greg Boone also?

7 A Yes. And he described them as not being
8 fraternity material. Whatever that means.

9 Q Not being fraternity material?

10 A Yeah. Whatever that means.

11 Q Martello Pollock and Orlando Jones and Greg
12 Boone are all black males; is that correct?

13 A Yes, sir.

14 Q All right. Direct your attention to your
15 investigation that is centered on TBL Construction. Did
16 you ask Lacy Thomas about his relationship with Alonzo
17 Barber?

18 A Yes, sir.

19 Q And did he describe to you how he had met
20 Alonzo Barber and under what circumstances?

21 A Yes, sir. And I've got to be careful because
22 there is two different sides to the story and both of them
23 don't match so I have to make sure I'm real careful to get
24 both sides characterized just right.

25 Q I'm not asking you for Alonzo Barber's side of

12 1 it, just what Lacy Thomas told you.

2 A Okay. Lacy Thomas told us that he was
3 concerned that there were not enough minority contractors
4 with the -- basically -- I'll backup.

5 They were building a new tower for UMC
6 which is the north tower project. When they went to build
7 the north tower project they hired Clark and Sullivan as
8 their general contractor to oversee all the building of the
9 north tower. Lacy Thomas did some research and discovered
10 that he felt that there was not enough minority
11 contractors that were hired on to help build the north
12 tower project, so, and it wasn't just minority contractors,
13 he felt there wasn't any black contractors, so he felt that
14 that void needed to be met.

15 Q Had he determined that there were minority
16 contractors but they weren't black, they were other
17 minorities?

18 A Right. I think they were Hispanics and
19 females, but there were no black minority contractors.

20 Q So did he say that he set about to try to
21 rectify what he thought was something that was wrong with
22 that project?

23 A Yes. And like I said -- let me get to my
24 notes on that just so I can get the exact characterization
25 of how it went down.

12
13

1 I think he even, he kind of contradicts
2 himself in the statement here. At first he says that he
3 reached out to Al Barber because he was looking to meet the
4 minority professional businessmen in the community, but
5 then later on in the interview he states that Al Barber was
6 the one who contacted them for the business. So it's kind
7 of confusing on which happened which, or which happened
8 first.

9 Q Okay. But he did not, he admitted that he
10 hired Al Barber to do this job at UMC so that minorities
11 would be included, black --

12 A Yes.

13 Q -- black minorities?

14 A Yes.

15 Q Was he confronted with the, did he explain
16 whether he thought this contract that Al Barber got for his
17 company was actually necessary or was that discussed?

18 A If the contract was necessary?

19 Q Yes. Whether the work was something that
20 needed to be done and he thought that Al Barber would do a
21 good job of it or anything like that. And if that question
22 wasn't asked then that's --

23 A I don't know that question was asked if it was
24 necessary, at least directly.

25 Q When you were asking him about his

13

1 relationship with Al Barber you had already received
2 allegations from other sources about that TBL Construction
3 contract?

4 A Yep.

5 Q Okay.

6 A This was one of the ones we were looking at
7 from the beginning.

8 Q Okay. And that was the explanation he gave
9 you as to why he entered into the contract?

10 A Yes.

11 Q He hadn't known Al Barber from Chicago,
12 correct, Al barber is a local guy?

13 A Al Barber is local gentleman, yes, sir.

14 As I said it's kind of confusing because
15 he said that Al Barber or TBL was brought to him through --

16 Q A third party?

17 A Third party employees and then later on, you
18 know, and then in other parts of the statement he says that
19 he was outreaching to the business associates of Southern
20 Nevada trying to make contacts and thats how he met up with
21 him so.

22 MR. MITCHELL: All right. Just a second.

23 All right. I have no further questions.

24 THE FOREPERSON: No questions from the Grand
25 Jury.

13

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

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

13 Do you understand this admonition?

14 THE WITNESS: Yes, sir.

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

17 THE WITNESS: Thank you.

18 MR. MITCHELL: We have no more witnesses for
19 today.

20 THE FOREPERSON: We are off the record

21

22 (Proceedings adjourned, to reconvene
23 at a later, undetermined time.)

24

25

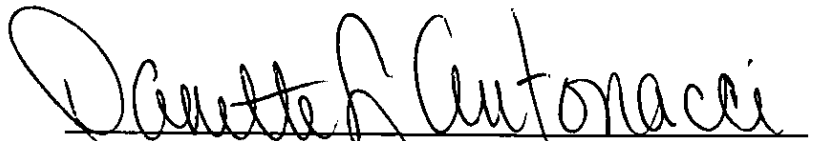
--ooOoo--

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, 2008.


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.

Danette L. Antonacci

Signature

2/6/08

Date

Danette L. Antonacci

Print Name

Official Court Reporter

Title

EIGHTH JUDICIAL DISTRICT COURT

FILED

ORIGINAL

CLARK COUNTY, NEVADA

FEB 21 8 17 AM '08

BEFORE THE GRAND JURY IMPANELED BY THE AFORESAID
DISTRICT COURT

THE STATE OF NEVADA,

Plaintiff,

-vs-

LACY L. THOMAS,

Defendant.

Case No. 07BGJ094A

Taken at Las Vegas, Nevada

Tuesday, February 12, 2008

1:40 p.m.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

VOLUME 3

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

1 GRAND JURORS PRESENT ON FEBRUARY 12, 2008:

2
3 JOHN WHESDOS, Foreman

4 GILBERT EISNER, Deputy Foreman

5 ELIZABETH MURPHY, Assistant Secretary

6 WILLIAM BRZEZINSKI

7 RICHARD CASE

8 GARY CUTLER

9 KATHY GAINES

10 MICHELLE HON

11 DOUGLAS JONES

12 PAT LOPES

13 JAMES MCHUGH

14 DANIEL NICK

15 KURT NICOLA

16 KENT WILLIAMS

17
18 Also present at the request of the Grand Jury:
19 Scott Mitchell,
20 Deputy District Attorney

21 Melissa Wright,
22 Forensic Legal Auditor, District Attorney's Office
23
24
25

INDEX OF WITNESSESExamined

1		
2		
3		
4	GEORGE STEVENS	7
5	THOMAS REILLY	35
6	QUINCY HARRIS	59
7	WILLIAM ANDREWS	73
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

INDEX OF EXHIBITS

<u>Grand Jury Exhibits</u>	<u>Identified</u>
5 - cover sheet/agenda item/resolution	11
6 - agenda item & contract w/Deloitte & Touche	21
7 - contract w/Lewin Group	22
8 - e-mail from T. Reilly to L. Thomas	40
9 - response to e-mail by L. Thomas	42
10 - offer letter & employment agreement	57
11 - Premier Alliance contract	76
12 - check request	77
14 - Crystal Communications agreement for services	80
15 - Crystal Communications second contract	85
16 - materials management department document	88
17 - bid documents from Networks West	91
18 - Superior contract	94
19 - memo of understanding	98
20 - ACS first amendment on contract	102
21 - ACS second amendment on contract	106
22 - worksheet prepared by William Andrews	115
23 - Power Point presentation	124
24 - Frasier Systems first contract	122
25 - Frasier Systems second contract	124
26 - Frasier Systems third contract	127
27 - spread sheet prepared by William Andrews	128

1 LAS VEGAS, NEVADA, TUESDAY, FEBRUARY 12, 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, we're
10 continuing on now with the UMC case where Lacy Thomas is
11 the target. I'm introducing as a Grand Jury exhibit a copy
12 of NRS 205.0832, subparagraph b, 1(b) of this statute is
13 the one that provides the law under which we're proceeding
14 in the theft count of this matter. And you can read it, it
15 has that language that I spoke about on an earlier occasion
16 of where you're entrusted with the property of another or
17 items placed in your possession for a limited, authorized
18 period of determined or prescribed duration or for a
19 limited use and you use that property for purposes other
20 than that for which it was entrusted. That's the theory
21 that the theft counts rest upon. So if there are no
22 questions about that I'll call the first witness.

23 THE FOREPERSON: Proceed.

24 MR. MITCHELL: Thank you. Also Melissa Wright
25 of the District Attorney's Office will be joining us at

1 some point. I should make that a matter of record.

2 THE FOREPERSON: Please raise your right hand.

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

7 MR. STEVENS: I do.

8 THE FOREPERSON: Please be seated.

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

13 Do you understand this advisement?

14 MR. STEVENS: Yes.

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

17 MR. STEVENS: George Stevens. S-t-e-v-e-n-s.
18 G-e-o-r-g-e.

19

20 GEORGE STEVENS,

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

24

25 ///

EXAMINATION

BY MR. MITCHELL:

Q Sir, how are you employed?

A I am the chief financial officer for Clark County.

Q In your position, you've been employed in that position for how long now?

A Just slightly over ten years.

Q Okay. Did you have occasion to participate with law enforcement into the investigation of financial improprieties at UMC under Lacy Thomas?

A Yes, I did.

Q And during the time that Lacy Thomas was CEO at UMC, did there come a time when you became aware in January of '06 that Lacy Thomas was proposing that a contract for nine hundred thousand dollars with Frasier Systems to provide a project manager's office was being proposed to be entered into?

A Yes.

Q And did the proposal that UMC enter into a contract with Frasier Systems for management of a project manager's office for nine hundred thousand dollars concern you?

A Yes, it did.

1 Q Why was that?

2 A The contract, when I reviewed the contract I
3 recognized that there had been a previous contract that had
4 been entered into, at least one previous contract, maybe
5 two, and when I first looked at the scope of work of this
6 contract compared to the scope of work of the previous
7 contract they seemed to be very similar, almost identical,
8 so that was the first thing that concerned me.

9 Q In fact this one that was being proposed for
10 nine hundred thousand dollars was the third contract with
11 Frasier Systems; is that correct?

12 A Yes.

13 Q And so the fact that it seemed to duplicate a
14 prior contract was one thing that caught your attention.
15 What else was there?

16 A The contract, the type of work that was being
17 performed and the scope of work just seemed to be very
18 basic in nature and seemed to be something that either the
19 IT, information technology, professionals at the hospital
20 should be able to do on their own or if not they could get
21 that, get some assistance from the county information
22 technology staff.

23 The third thing that concerned me was
24 that when you looked at the pricing within the contract and
25 the amount of labor that was actually going to be performed

1 by the consultants and the cost per employee if you will
2 was about two hundred fifty thousand dollars which seemed
3 to be inordinately high for that type of a service.

4 Q In fact two hundred and fifty thousand dollars
5 is more than the CEO of UMC was making in a year; is that
6 right?

7 A It was approximately that amount, yes.

8 Q Okay. So the cost was high, it seemed to
9 duplicate other work that had already been contracted for
10 in previous contracts and it seemed to provide services
11 that the county already had available for free; is that
12 correct?

13 A That's correct.

14 Q All right. How was it that this proposed
15 contract came to your attention in the first place since
16 you were not involved with UMC, you're not employed at UMC,
17 you were employed by the county general?

18 A Well, all of the agenda items that go before
19 the Board of County Commissioners and also the hospital's
20 Board of Trustees are consolidated onto one agenda, which
21 they meet twice a month, and so all of the agendas from not
22 just UMC but all across the county come through the county
23 manager's office and we review those prior to anything
24 actually being cleared by the county manager to go onto the
25 agenda.

2 1 Q When you had these concerns about this third
2 proposed contract with Frasier Systems, what did you do?

3 A I communicated my concerns to Thom Reilly who
4 was the county manager at that time.

5 Q What method did you use to communicate those
6 concerns?

7 A Both verbally and through e-mail.

8 Q Okay. Did you layout the concerns the same
9 way that you've testified today thus far about what you saw
10 wrong with this proposal?

11 A Yes, I believe so.

12 Q Did you make a recommendation about whether or
13 not this proposal should even go before the hospital board?

14 A Yes, I didn't believe that it should.

15 Q And you said so?

16 A I believe I did. I don't recall exactly the
17 text of my e-mail.

18 Q At any rate you did fully express your
19 concerns to Mr. Thom Reilly?

20 A Yes, I did. And I also, and also to Rod
21 Massey who was the chief information officer for the county
22 and he, I believe he communicated back to Mr. Reilly that
23 he agreed with my conclusions.

24 Q Okay. In reviewing this third contract that
25 was being proposed, did you find out if the first and

2 1 second contracts had already been paid?

2 A I don't recall whether I investigated that.

3 Q But you did consult the second contract and
4 notice that there were similarities between the second one
5 and the third one?

6 A Yes.

7 Q Now I'm showing you a document which has been
8 marked as Grand Jury Exhibit 5. Did you bring this
9 document with you today when you came to court or when you
10 came to the Grand Jury?

11 A Yes.

12 Q Okay. And in this document what are we
13 reading here when we read the top page of it? What is this
14 document trying to accomplish?

15 A Well, the first page is the standard format of
16 an agenda item. It's the cover sheet for a resolution that
17 is being put before the Board of Hospital Trustees for
18 their approval. And the purpose of this particular
19 resolution is that under NRS, Nevada Revised Statute,
20 Chapter 332, which is known as the local government
21 purchasing act, there is a provision within that act that
22 allows a governing body of a local government to adopt a
23 resolution designating an authorized representative for the
24 purpose of streamlining certain purchasing actions so that
25 not every single routine matter needs to go directly to the

2 1 Board of County Commissioners. It's a way of actually sort
2 2 of trying to streamline some of the red tape if you will
3 3 that we have to deal with in government.

4 Q So does the document partially at least try to
5 5 delegate authority to the UMC CEO to be able to perform
6 6 certain functions so that the Board of County Commissioners
7 7 wouldn't have to?

8 A That's correct.

9 Q Okay. Now after the cover sheet that you've
10 10 testified about, is there attached to that a resolution
11 11 that sets forth the authority of the CEO at UMC as well as
12 12 restrictions on his authority?

13 A Yes, there is.

14 Q And does it layout how much money he can spend
15 15 in contracts that he enters into on behalf of UMC in this
16 16 resolution?

17 A Yes, it does.

18 Q And generally how would you describe his
19 19 authority regarding contracts that he's allowed to enter
20 20 into; what does this resolution set forth?

21 A Generally the purpose of this particular
22 22 resolution is to allow a process to do competitive bidding
23 23 of commodity type purchases, things like, as an example,
24 24 copier paper, pencils, supplies, electrical supplies,
25 25 things which by their nature are very routine and very easy

3

1 to specify in terms of when you put a bid document on the
2 street, and you still have to go through all the
3 competitive bidding requirements, you accept the
4 competitive bids in, you review those and you reward to the
5 lowest responsive and responsible bidder. Generally in
6 commodities means the lowest prices and for contracts under
7 five hundred thousand dollars in a given fiscal year you
8 can use that process. But it does not allow you to use
9 that process for professional services.

10 Q Okay. So this document would give Lacy Thomas
11 as CEO at UMC the ability to enter into contracts, but he
12 would not be able to enter into contracts for more than
13 five hundred thousand dollars; is that correct?

14 A That's correct.

15 Q And if he entered into a contract for less
16 than five hundred thousand dollars, what restrictions would
17 govern his contracting, what things would he have to comply
18 with or rules would he have to comply with if he is
19 entering into a contract on behalf of UMC?

20 A Well, he would still have to, there is certain
21 advertising requirements that he would have to fulfill. He
22 would still need to develop a standard bidding package
23 which includes very specific specifications for what it was
24 he was going to acquire. You then accept the bids, review
25 the bids, award to the lowest responsible bidder. It also