



## COMPTROLLER'S INVESTIGATIVE REPORT

### Claiborne County Clerk

*August 2, 2021*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

August 2, 2021

Claiborne County Clerk  
Ms. Karen Hurst  
P.O. Box 173  
Tazewell, TN 37879

Ms. Hurst:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Claiborne County Clerk, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 8<sup>th</sup> Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink that reads "Jason E. Mumpower".

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## Claiborne County Clerk

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Claiborne County Clerk's Office. The investigation was initiated after the county clerk reported questionable conduct involving the former chief deputy. The investigation was limited to selected records for the period April 2016 through April 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 8<sup>th</sup> Judicial District.

### BACKGROUND



The Claiborne County Clerk's Office (clerk) is located in the Claiborne County Courthouse in Tazewell. The clerk is elected every four years and employs deputy clerks to perform many of the office's daily duties. The clerk provides various services including vehicle registration, vehicle titles and tags, collection of vehicle sales tax, driver's license renewals, concealed carry permit renewals, marriage licenses, business licenses, hunting and fishing licenses, and notary public applications.

On September 1, 2018, a new clerk took office. Shortly thereafter, Diane Heck was promoted from deputy clerk to chief deputy. Both as deputy clerk and as chief deputy, Heck receipted collections, including motor vehicle registration fees for vehicles purchased from out-of-state dealerships. As chief deputy, Heck assisted in the reconciliation of daily cash collections and preparation of deposits. Investigators did not review documentation prior to April 2016 due to the lack of distinct custodial responsibility.

### RESULTS OF INVESTIGATION

#### 1. FORMER CHIEF DEPUTY HECK MISAPPROPRIATED COLLECTIONS TOTALING AT LEAST \$25,519.74

During the period April 1, 2016 through April 19, 2019, Heck, former chief deputy, misappropriated motor vehicle registration fee collections totaling at least \$25,519.74. Certain vehicle dealerships requested the clerk calculate amounts owed for taxes, title, registration, and fees (collectively referred to as fees) from each sale, and the dealerships used the clerk calculations to remit payment on behalf of their customers. Heck assumed

responsibility for calculating fees for many such sales. Heck provided falsely inflated fee amounts to dealerships and retained the excess amounts for her personal benefit. She receipted checks for 646 vehicle registration transactions for more than amounts due the clerk and failed to issue refunds for the overage. In all instances, Heck recorded the check overages as “negative cash”, (**Refer to Exhibit 1**) allowing her to remove cash from her collection drawer equal to the check overages and still balance at the end of the day.

**Exhibit 1**

INVOICE NUMBER <b>18344 @</b>	COUNTY NAME <b>CLAIBORNE</b>	CO NUMBER <b>13</b>	DATE OF APPLICATION <b>12/10/2018</b>	BY AUTHORITY OF REGISTRAR OF MOTOR VEHICLES(COUNTY CLERK) <b>KAREN HURST</b>	<b>DIANE</b>
OFFICE USE ONLY (total fees collected indicated certifies this form as a valid registration)					
REGISTRATION FEE	ELECTRIC VEHICLE FEE	CREDIT	LEASE FEE	TRANS FEE <b>1.00</b>	CLERK FEE <b>1.00</b>
				ISSUANCE FEE <b>8.00</b>	LIEN FEE <b>11.00</b>
				TITLE FEE <b>5.50</b>	TOTAL TAX COLLECTED <b>465.00</b>
COMPUTATION OF <input type="checkbox"/> SALES TAX <input type="checkbox"/> USE TAX	SALES OR USE TAX <b>385.00</b>	SA TAX <b>44.00</b>	LOCAL TAX <b>36.00</b>	ADDITIONAL TAX	COLLECTED IN STATE OF
*SERVICE OPT FEE	ORGAN DONOR	POSTAGE <b>2.00</b>	VER	ID / RESIDENCY VERIFICATION	*TOTAL FEES COLLECTED <b>493.50</b>
SF.1347	Port: wk04/DR6/AA	Cash: 0.00	Check: 571.00	Check#: 030415	Credit: 0.00 Auth#: GV: 0.00 Change: <b>77.50</b>

Printed: 5/20/2020 12:41:49 PM												Page 7		
CLAIBORNE COUNTY CLERK														
CASH/CHECK REPORT 12/10/2018														
INVOICE NO: 18344														
COMBINED REPORT ALL SITES - ALL DRAWERS														
NAME	TRANS	DECAL #/LICE NSE#	LIC/RECEIPT	CASH	CHECK	CHECK#	CREDIT CARD TOTAL	INHOUSE	ONLINE	PROC	CLERK	GIFT VOUCHER	TOTAL	DRAWER
BRANDON				-77.50	571.00	030415		.00	.00	.00	.00	.00	.00	493.50

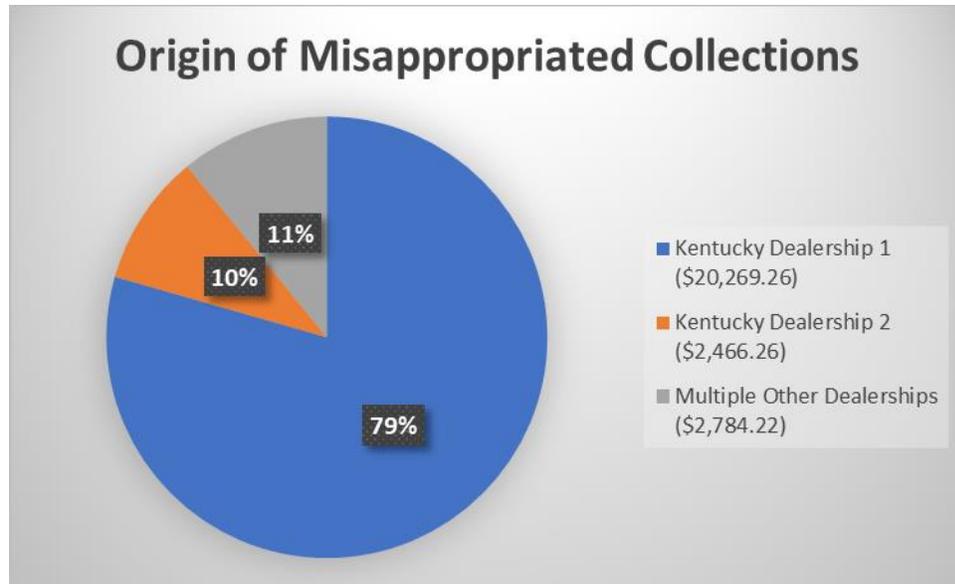
*Example of negative cash entry for change due a customer.*

The following table summarizes the misappropriation by calendar year:

Misappropriation By Calendar Year					
Calendar Year	2016	2017	2018	2019	Total
January	\$ -	\$ 568.59	\$ 801.48	\$ 489.87	\$ 1,859.94
February	-	121.40	564.63	-	686.03
March	-	708.91	795.52	-	1,504.43
April	149.50	720.65	1,527.22	-	2,397.37
May	905.58	674.02	1,096.89	-	2,676.49
June	626.20	484.55	2,105.51	-	3,216.26
July	314.17	89.00	348.00	-	751.17
August	317.62	558.94	690.95	-	1,567.51
September	447.50	1,199.17	1,510.39	-	3,157.06
October	223.50	927.74	1,419.89	-	2,571.13
November	401.63	740.14	2,566.86	-	3,708.63
December	\$ 343.64	\$ 572.08	\$ 508.00	\$ -	\$ 1,423.72
<b>Total</b>	<b>\$ 3,729.34</b>	<b>\$ 7,365.19</b>	<b>\$ 13,935.34</b>	<b>\$ 489.87</b>	<b>\$ 25,519.74</b>

The investigation revealed that two motor vehicle dealerships in Kentucky made frequent vehicle sales to Tennessee residents and sent these sales transactions to the clerk for

processing, often based on fee calculations provided by Heck. As set forth in the following graph, the majority of Heck’s misappropriation related to transactions involving these two dealerships.



## 2. HECK FALSIFIED COUNTY RECORDS TO CONCEAL HER MISAPPROPRIATION

County records show that, on at least 260 occasions, Heck altered electronic or manual records to conceal her misappropriation. In some instances, Heck concealed overage amounts on manual registration documents using a white substance (**Refer to Exhibit 2**). In other instances, she created false vehicle registrations reflecting no refund was due (**Refer to Exhibit 3**).

Exhibit 2

ed by me or on my behalf		POWER OF ATTORNEY/AUTHORIZED SIGNATURE(IF APPLICABLE)		DATE	
				06/24/2020	
CO NUMBER	DATE OF APPLICATION	BY AUTHORITY OF REGISTRAR OF MOTOR VEHICLES(COUNTY CLERK)			
13	10/17/2018	KAREN HURST		DIANE	
(total fees collected indicated certifies this form as a valid registration)					
LEASE FEE	TRANS FEE	CLERK FEE	ISSUANCE FEE	LIEN FEE	TITLE FEE
	1.00		8.00	11.00	5.50
TOTAL TAX COLLECTED					
.00					
TAX	LOCAL TAX	ADDITIONAL TAX	COLLECTED IN STATE OF	COUNTY WHEEL TAX	CITY WHEEL TAX
					INS FEE
					Change: 11.00
OSTAGE	VER	ID / RESIDENCY VERIFICATION	VIN PLATE FEE	*TOTAL FEES COLLECTED	
			.00	25.50	
Check: 36.50	Check#: 86063	Credit: 0.00	Auth#:	GV: 0.00	Change: 11.00
RDA-692					

POWER OF ATTORNEY/AUTHORIZED SIGNATURE(IF APPLICABLE)		DATE	10/17/2018
CO NUMBER	DATE OF APPLICATION	BY AUTHORITY OF REGISTRAR OF MOTOR VEHICLES(COUNTY CLERK)	
BORNE	13	10/17/2018	KAREN HURST
(total fees collected indicated certifies this form as a valid registration)			DIANE
LEASE FEE	CREDIT	LEASE FEE	TRANS FEE
			1.00
ISSUANCE FEE	CLERK FEE	ISSUANCE FEE	LIEN FEE
8.00		8.00	11.00
TITLE FEE	TOTAL TAX COLLECTED	TITLE FEE	
5.50		5.50	.00
Change:			
LOCAL TAX	ADDITIONAL TAX	COLLECTED IN STATE OF	COUNTY WHEEL TAX
CITY WHEEL TAX	INS FEE	*TOTAL FEES COLLECTED	
		25.50	
Cash: 0.00	Check: 36.50	Check#: 86063	Credit: 0.00
Auth#:	GV: 0.00	Change:	RDA-692

**Heck concealed overage amounts on manual registration documents**

Both images shown in **Exhibit 2** represent portions of vehicle registration documents for check #86063 totaling \$36.50 and received by Heck on October 17, 2018. The top image was printed from the clerk’s accounting system on June 24, 2020, and shows \$11 was due in change from the transaction. The second image, obtained by the clerk from physical files in her office, reveals the change amount due had been concealed. Investigators found 16 transactions in which it appears Heck concealed the change amount due on registration documents with a white substance.

**Exhibit 3**

POWER OF ATTORNEY/AUTHORIZED SIGNATURE(IF APPLICABLE)		DATE	12/31/2018
CO NUMBER	DATE OF APPLICATION	BY AUTHORITY OF REGISTRAR OF MOTOR VEHICLES(COUNTY CLERK)	
13	12/31/2018	KAREN HURST	
(total fees collected indicated certifies this form as a valid registration)			DIANE
LEASE FEE	TRANS FEE	CLERK FEE	ISSUANCE FEE
		1.00	8.00
LIEN FEE	TITLE FEE	LIEN FEE	TOTAL TAX COLLECTED
11.00	5.50	11.00	940.72
Change: 0.00			
LOCAL TAX	ADDITIONAL TAX	COLLECTED IN STATE OF	COUNTY WHEEL TAX
1.00	36.00		50.00
CITY WHEEL TAX	INS FEE	*TOTAL FEES COLLECTED	
		1,046.72	
Check: 1,046.72	Check#: 030773	Credit: 0.00	Auth#:
GV: 0.00	Change: 0.00	RDA-692	

POWER OF ATTORNEY/AUTHORIZED SIGNATURE(IF APPLICABLE)		DATE	03/04/2020
CO NUMBER	DATE OF APPLICATION	BY AUTHORITY OF REGISTRAR OF MOTOR VEHICLES(COUNTY CLERK)	
13	12/31/2018	KAREN HURST	
(total fees collected indicated certifies this form as a valid registration)			DIANE
LEASE FEE	TRANS FEE	CLERK FEE	ISSUANCE FEE
		1.00	8.00
LIEN FEE	TITLE FEE	LIEN FEE	TOTAL TAX COLLECTED
11.00	5.50	11.00	940.72
Change: 11.00			
LOCAL TAX	ADDITIONAL TAX	COLLECTED IN STATE OF	COUNTY WHEEL TAX
1.00	36.00		50.00
CITY WHEEL TAX	INS FEE	*TOTAL FEES COLLECTED	
		1,046.72	
Check: 1,057.72	Check#: 030773	Credit: 0.00	Auth#:
GV: 0.00	Change: 11.00	RDA-692	

**Heck created false vehicle registrations reflecting no refund was due**

Both images shown in **Exhibit 3** represent portions of vehicle registration documents for check #30773 received by Heck on December 31, 2018, but printed on different dates.

Heck printed the top copy on the date of the receipt showing change due of \$0. The clerk obtained this copy from Tennessee Department of Revenue (TDOR) files, which maintains copies of official vehicle registration documentation. Audit logs in the clerk's software application show Heck changed the amount of the check to the correct amount of \$1,057.72 later in the day, which allowed her daily checks to balance and properly reflected \$11 change due. Investigators found an additional 244 such registrations in which Heck falsely altered check amounts to reflect \$0 change due on registration copies.

On April 18, 2019, Heck provided the clerk with \$2,237 cash she claimed she withheld from her drawer for check overages and kept in the office safe. Heck resigned on April 19, 2019.

On July 16, 2021, the Claiborne County Grand Jury indicted Patricia Diane Heck on one count of Theft over \$10,000, one count of Tampering with Government Records, and one count of Official Misconduct.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[Claiborne County Clerk Investigation Exhibit](#)

## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal control and compliance, some of which contributed to Heck's ability to perpetrate her misappropriation without prompt detection:

**Deficiency 1: The clerk did not ensure that cash drawers were reconciled with the detailed daily receipts**

The clerk did not ensure that daily cash drawers were reconciled with detailed daily receipts. For each business day during the period, the chief deputy (or designee in her absence) was responsible for counting and reconciling all cash drawers to detailed daily receipts in the clerk's software application. Once reconciled, a second employee counted the deposit to ensure accuracy and prepared the deposit for bank pick-up. Neither the chief deputy nor the second employee reviewed daily detailed receipts, which often reflected negative cash for unrefunded change due customers. Failure to reconcile all cash drawers with detailed daily receipts increases the risk that errors or misappropriation will occur and not be detected timely.

**Deficiency 2: The clerk did not adequately review audit logs for unusual and questionable transactions**

The clerk did not adequately review audit logs for unusual or questionable transactions. The software application used by the clerk generated audit logs that displayed changes made by users. Although it appears these logs were scanned by the clerk staff, a thorough review would have revealed Heck routinely changed check amounts, which allowed her to falsely reflect \$0 change due on at least 244 transactions. Detailed review of the audit logs reduces the risk that inappropriate transactions will remain undetected.

**Deficiency 3: The clerk did not reconcile miscellaneous receipts for check overages with actual refund checks issued**

The clerk did not reconcile miscellaneous receipts for check overages with refund checks. For check overages, policy requires that clerk employees issue a miscellaneous receipt to ensure their collection drawers will balance with collection records at the end of each business day. The clerk then periodically issues refund checks to the payor for the check overages. Investigators discovered 13 instances where the clerk did not issue refund checks when a miscellaneous receipt was issued, and 3 instances where the clerk issued a refund check without a corresponding miscellaneous receipt. An accurate reconciliation of miscellaneous receipts with refund checks reduces the risk that refunds for overpayments are not made.

**Deficiency 4: The clerk processed motor vehicle transactions for individuals that did not reside in Claiborne County**

The investigation revealed that at least two Kentucky vehicle dealerships processed all vehicle sales to Tennessee residents, regardless of the purchaser's county of residence, through Claiborne County. According to section 55-4-101(c), *Tennessee Code Annotated*, "Application for registration shall be made, in the manner prescribed by the commissioner on forms provided or approved by the department, *to the county clerk of the owner's residence or of a county wherein the vehicle is based or is to be operated* (emphasis added), except that a nonresident may apply directly to the department for registration." To comply with state statutes, the clerk should accept only registration applications for applicable vehicles.

The clerk indicated that she has corrected or intends to correct these deficiencies.

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