

**1996 TENNESSEE BICENTENNIAL COMMISSION**  
**SEPTEMBER 1996**

**Arthur A. Hayes, Jr., CPA**  
Director

**Deborah V. Loveless, CPA**  
Assistant Director

**Barbara H. Cobb**  
Audit Manager

**Joseph Schussler, CPA**  
In-Charge Auditor

**Jane Russ**  
Editor

September 10, 1996

The Honorable John S. Wilder  
Speaker of the Senate  
The Honorable Jimmy Naifeh  
Speaker of the House of Representatives  
The Honorable Joe Haynes, Chair  
Senate Committee on Government Operations  
The Honorable Mike Kernell, Chair  
House Committee on Government Operations  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the 1996 Tennessee Bicentennial Commission. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the commission should be continued, abolished, or restructured.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/tp  
96-068

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit  
**1996 Tennessee Bicentennial Commission**  
September 1996

---

## AUDIT OBJECTIVES

The objectives of the audit were to review the commission's legislative mandate and evaluate the extent to which the commission and the corporation it created (Tennessee 200, Inc.) have fulfilled that mandate efficiently and effectively and have complied with applicable laws and regulations, and to make recommendations that might result in more efficient and more effective operation of this commission and of similar future commissions.

## OBSERVATIONS AND COMMENTS

The commission was charged with developing a comprehensive program for celebrating the bicentennial of Tennessee's admission to the United States in 1796. The commission created a corporation—Tennessee 200, Inc.—to accomplish its purpose and passed responsibility to the corporate board, which included the commission members. Tennessee 200 staff coordinated projects and awarded grants to 73 counties to fund local bicentennial-related activities.

### **Revenue Shortfall**

Income from bicentennial programs and contributions has fallen short of the amounts budgeted by Tennessee 200. As a result, an additional state appropriation was requested and approved, raising state government's share of the cost of Tennessee 200 bicentennial activities to \$4.32 million, 45 percent of the total (page 6).

### **Low Revenues from Bicentennial Brick Sales**

Although not responsible for the design and construction of the Bicentennial Capitol Mall, Tennessee 200 marketed bicentennial bricks to provide citizens a special sense of ownership in the mall and to help fund bicentennial activities. For a specified contribution, individuals could have a granite brick engraved with their name placed on the mall's Path of Volunteers. Tennessee 200 set a goal of selling 150,000 bricks, then reduced the goal to 50,000 bricks. However, as of June 24, 1996, after 18 months of sales, only 8,852 bricks had been sold. If the full 150,000 bricks are needed to pave the Path of Volunteers, the program could have an estimated shortfall of \$562,000 (page 7).

### **Noncompliance with Corporate Bylaws**

Tennessee 200's board of directors and executive committee met and conducted business without the quorum required by corporate bylaws. There are 31 members on the board and 13 members on the executive committee. While nine members attended at least 76 percent of the meetings, six members attended 25 percent or less. In addition, the board did not comply with bylaws requirements to elect officers annually and to meet at its principal office (page 11).

### **ISSUES FOR LEGISLATIVE CONSIDERATION**

To facilitate compliance with quorum requirements, the General Assembly may want to consider limiting the size of future commissions and boards and providing a mechanism for replacing nonparticipating members.

---

---

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

---

---

PERFORMANCE AUDIT  
1996 TENNESSEE BICENTENNIAL COMMISSION

---

TABLE OF CONTENTS

---

	<u>Page</u>
<u>INTRODUCTION</u>	1
Purpose and Authority for the Audit	1
Objectives of the Audit	1
Scope and Methodology of the Audit	1
Organization and Responsibilities	2
Description of Programs	3
Financial and Compliance Audit of Tennessee 200, Inc.	6
<u>OBSERVATIONS AND COMMENTS</u>	6
Revenue Shortfall	6
Low Revenues from Bicentennial Brick Sales	7
Noncompliance with Corporation Requirements for Quorum and Annual Meeting	11
<u>RECOMMENDATIONS</u>	12
<u>APPENDICES</u>	13
1. 1996 Tennessee Bicentennial Commission Members	13
2. Grants Awarded to Counties	14
3. Management's Comments	16

PERFORMANCE AUDIT  
1996 TENNESSEE BICENTENNIAL COMMISSION

---

INTRODUCTION

---

**PURPOSE AND AUTHORITY FOR THE AUDIT**

The performance audit of the 1996 Tennessee Bicentennial Commission was conducted in accordance with the Tennessee Governmental Entity Review Law, *Tennessee Code Anno-tated*, Title 4, Chapter 29. Under Section 4-29-218 of that statute and also under Section 4-44-109, the 1996 Tennessee Bicentennial Commission is scheduled to terminate June 30, 1997. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the commission and to report the results to the Joint Government Operations Committee of the General Assembly. This audit is intended to aid the committee in determining whether the 1996 Tennessee Bicentennial Commission should be terminated prior to or continued beyond its scheduled termination date of June 30, 1997.

**OBJECTIVES OF THE AUDIT**

The objectives of the audit were

1. to determine the authority and responsibility mandated to the commission by the legislature;
2. to assess the efficiency and effectiveness of management's organization and use of resources to accomplish the commission's purpose; and
3. to develop recommendations, as needed, for commission or legislative action that might result in more efficient and/or more effective operation of the commission.

**SCOPE AND METHODOLOGY OF THE AUDIT**

The current activities and procedures of the commission were reviewed, focusing on procedures and conditions in effect during field work (February through April 1996). The audit was conducted in accordance with generally accepted government auditing standards and included

1. review of applicable statutes and executive orders; commission minutes; and the minutes, bylaws, and related documents of the corporation created by the commission;

2. examination of commission and corporation files, data, and reports; and
3. interviews with commission members or their designees; regular and contracted staff and the pro bono attorney of the corporation; staff of the Division of State Audit and of the Capital Projects Division of the Department of Finance and Administration; and staff of the offices of the Governor, Treasurer, Secretary of State, and Comptroller of the Treasury.

## **ORGANIZATION AND RESPONSIBILITIES**

The 1996 Tennessee Bicentennial Commission was established by Executive Order Number 51, signed June 1, 1992. The General Assembly subsequently passed Chapter 188 of the 1993 Public Acts, codified as Section 4-44-101, et seq., *Tennessee Code Annotated*. The commission is a part of the executive department.

The commission is charged with developing a comprehensive program for celebrating the bicentennial of Tennessee's admission to the United States in 1796. Pursuant to Section 4-44-102(b), *Tennessee Code Annotated*, activities and projects may include, but are not limited to, the following:

- A bicentennial mall
- Restoration of historic properties
- State and local archaeological programs and activities
- State and local historic preservation programs
- Educational materials
- Bibliographical and documentary projects
- Conferences, lectures, seminars, and other programs
- Museum and cultural center exhibits, including a commemorative painting and mobile exhibits
- Tourist attractions
- Ceremonies and celebrations

The 1996 Tennessee Bicentennial Commission consists of 29 members, including 15 citizen members, five from each grand division of the state. Of these 29 members, ten (34%) are female and five (17%) are African-American. Of these five, one is from East Tennessee; two, from Middle Tennessee; and two, from West Tennessee. A list of commission members is included in Appendix 1. Governor and Mrs. Sundquist are honorary co-chairs of the commission. The advisory committee, made up of current and former members of Tennessee's congressional delegation, former governors, and other leaders and their spouses, is chaired by U.S. Vice President Al Gore.

The commission is authorized by Section 4-44-106, *Tennessee Code Annotated*, to create a nonprofit corporation "to raise funds, develop, manage, and implement the plans and programs of the commission relating to the commemoration of Tennessee's bicentennial." This corporation—Tennessee 200, Inc.—was chartered as a nonprofit corporation on June 21, 1993, and

received recognition from the IRS as a tax-exempt 501(c)(3) organization. The corporation is registered with the state and with Metropolitan Nashville-Davidson County government to solicit charitable funds and is authorized to receive state appropriations and contributions from companies and individual citizens.

The corporation's board of directors consists of the 29 commission members plus a representative appointed by the Governor and a representative from the Office of the Attorney General and Reporter. Officers of the commission serve as officers of the corporate board; the officers are president, vice president, secretary, and treasurer. The commission and board also share an executive committee of 13 persons. The executive committee has one African-American member and is made up of four women and nine men.

Section 4-44-104(a), *Tennessee Code Annotated*, describes a special committee which was to plan activities for 1993 and 1994 to commemorate the anniversary of self-government in Tennessee. Membership was to include the Bicentennial Commission chair and vice chair plus seven members appointed by the Governor. The self-government committee was never constituted because all its members were not appointed.

Tennessee 200 has a staff of 20, including part-time and full-time employees and contracted personnel. Staff responsibilities include planning, implementing, and managing projects, special events, and ceremonies; overseeing marketing of programs and sales of bicentennial merchandise; and providing assistance and information to counties for developing local bicentennial activities. Staff also prepare budgets and program and financial reports and negotiate contracts with vendors. A marketing agency under contract with Tennessee 200 is responsible for preparing and distributing information to the media.

## **DESCRIPTION OF PROGRAMS**

Section 4-44-102(a), *Tennessee Code Annotated*, states that the program to celebrate the bicentennial "shall be developed to represent the contributions of all peoples and cultures to Tennessee state history and to the maximum feasible extent shall be designed to encourage and support participation in the bicentennial by all interested communities in the state." The celebration was designed to be inclusive and encourage citizen participation.

### Local Projects

Tennessee 200 staff coordinated projects and awarded grants to counties across the state to fund bicentennial-related events. Two types of grants—formula and competitive—were awarded. A list of grants awarded to each county is included in Appendix 2.

*Formula Grants:* Through three grant award cycles, 73 grants were awarded to as many counties. Requirements to receive these grants of up to \$3,000 were minimal, but counties applying for the grants were required to have a bicentennial committee. Although all 95 Tennessee counties had organized bicentennial committees by February 1995, not all

counties applied for a grant. Many of the funded projects emphasized historical events through video histories, pictorial histories, or some other form of county history publication. Several counties applied the money to county museums. Other county projects included construction of a gazebo on the courthouse lawn, creation of a dogwood forest in conjunction with a community park, replacement of original courthouse doors, construction of a Mule Day parade exhibit, development of a living history museum, and relocation and restoration of a one-room schoolhouse for use as a living history classroom.

*Competitive Grants:* The Local Programs and Statewide Participation Subcommittee of the Tennessee 200, Inc., Board of Directors reviewed applications and selected projects to receive these grants. Criteria for selection included evidence of public interest and participation, the formation of a group to be responsible for continued maintenance, and the promise of a lasting legacy. Seventeen grants were awarded to fund projects in 15 counties. Fifteen of these grants were for \$10,000, one was for \$5,000, and one was for \$4,000. Grants were used to help restore a train depot, a train car, and a museum and to construct a gazebo/bandstand and a building at the fairgrounds. One grant funded a local history project focusing on race relations.

Tennessee 200 staff compiled a list of activities across the state. More than 500 local events were planned, with at least one in each of the 95 counties, and most activities had no admission charge. Activities that had not yet occurred were incorporated into the brochure "Celebrate the Centuries: Discover the Path of Volunteers," published by Tennessee 200 in March 1996. Staff also worked with counties to develop the contents of their time capsules buried on the Bicentennial Capitol Mall.

Certain local activities and projects could be designated as official Tennessee 200 Bicentennial Projects if criteria were met. Projects initiated by county committees or nonprofit agencies could be designated without charge; commercial ventures could be designated for a \$2,000 licensing fee. As of March 1996, 49 projects had received official designation, including one commercial project. Organizations operating these projects included schools, special interest groups and societies, museums, state agencies, and private companies.

### Statewide Projects

Tennessee 200 planned and promoted several statewide events. The kickoff event, *Tennessee Treasures*, was a collection of artifacts that traveled to all 95 counties between September 1993 and December 1994. A May 1994 promotional bus trip by Tennessee 200 staff made 20 stops across the state. Volunteer 200 Day on June 1, 1995, showcased Tennessee's volunteer spirit when more than 70 counties sponsored service projects and recognition events in partnership with the Tennessee Commission on National and Community Service. The year-long Archives Program provided grants to local agencies for conservator materials; workshops and training for local governments, historical societies, and individuals on how to catalog and maintain historical records; and a traveling exhibit and series of newspaper articles. As one component, Tennessee 200 staff mailed surveys to Tennessee's World War II veterans to recreate archival

records destroyed by fire. The Archives Program's purpose was to increase awareness of the value of those records and to encourage the development of a long-term plan for the preservation of Tennessee's documentary heritage. This project was a joint effort between the commission and the Tennessee State Library and Archives.

The Civil War Heritage Trail was developed in partnership with the Tennessee Historical Commission to explain the significance and interrelationship of certain sites. The program sought to create an alliance among sites, so that mutual cooperation could enhance promotional efforts. Literacy programs were developed in partnership with the Tennessee Advisory Council for Libraries' Statewide Bicentennial Planning Committee to provide access to the 300 libraries across the state. Programs included "Celebrate 200! Read Across Tennessee," "Literary Map," and "A Tennessee Bibliography." A Bicentennial Bike Ride from Nashville to Maryville was planned in coordination with the Department of Environment and Conservation, Bureau of State Parks. Each county designed a flag for display. At the end of 1996, the county flags will be given to the museum as part of the bicentennial collection. A U.S. postage stamp commemorating Tennessee's bicentennial went on sale in Knoxville, Memphis, and Nashville May 31, 1996, and nationwide the following day.

### Performing Arts Festival

For the Arts and Entertainment Festival, May 2 to May 25, 1996, Tennessee 200 made grants available to commission new works. Arts groups from across Tennessee gathered at the Tennessee Performing Arts Center, Ryman Auditorium, Hermitage Hotel, and Fisk University Chapel for a month-long arts and entertainment celebration. Specially commissioned works included *A Joyful Noise*, the story of the Fisk Jubilee Singers, and *Perfect 36*, the women's suffrage story. Internationally known musicians, including Itzak Perlman, Andre Watts, Mstislav Rostropovich, and Nanci Griffith, were featured. These arts events were publicized in a brochure distributed by Tennessee 200, and approximately 25,000 tickets were sold.

### Bicentennial Train

A Bicentennial Train was outfitted as a traveling exposition to spotlight the state's advances and innovations in commerce, industry, agriculture, manufacturing, education, and research. The train was scheduled to depart from Union City on July 4, 1996, make stops in 38 cities statewide, and complete its journey in Nashville in November 1996. The traveling exposition was developed and managed by Tennessee 200 with assistance from the Tennessee State Museum in determining the exhibit contents. The train, with its theater, artifact displays, and a merchandising area, provides a focus for marketing activity statewide and a catalyst for local bicentennial celebrations.

### Governor's Programs

In 1994, the Governor designated several programs to receive bicentennial grants totaling \$250,000. The programs included ConnecTenn (Internet connections for schools) and the

Bookworm reading program, operated by the Department of Education; the Greenways and Trails program of the Department of Environment and Conservation; the publication of two brochures—"Heritage Trails" and "200 Years of Religion in Tennessee"; bicentennial trees, through the Department of Agriculture; a bicentennial sampler exhibit at the Tennessee State Museum; and the Iris Garden at the Memphis Botanical Garden.

### Bicentennial Capitol Mall

The construction of the Bicentennial Capitol Mall was not the responsibility of the Bicentennial Commission; it was managed and funded through the Department of Finance and Administration, Capital Projects Division. The budget for the mall, the adjacent farmers' market, land acquisition, and building demolition was \$51 million, none of which passed through the Bicentennial Commission. Expenditures and obligations as of April 9, 1996, were about \$49.8 million. The mall covers 19 acres and is modeled after the Grand Mall in Washington, D.C. The mall is to be a permanent monument to Tennessee's bicentennial and will operate as an urban park. Time capsules prepared by each county were buried in the mall in April 1996 and will be opened at the state's tricentennial in 2096. The mall was the site of the June 1, 1996, bicentennial birthday celebration, open to the public, which included fireworks, a laser light show, and performances by major country music stars.

## **FINANCIAL AND COMPLIANCE AUDIT OF TENNESSEE 200, INC.**

A financial and compliance audit of Tennessee 200, Inc., was conducted by the Division of State Audit in 1995. The audit findings cited improper use of presigned checks, weak controls over petty cash, and noncompliance with payroll and personnel policies and procedures. The audit did not report any significant losses as a result of these inadequate management controls.

---

### OBSERVATIONS AND COMMENTS

---

#### **REVENUE SHORTFALL**

Income from bicentennial programs and contributions has fallen short of the amounts budgeted. Tennessee 200 adopted a project budget in September 1994 to cover bicentennial activities to December 1996. The original budget of \$7 million was increased to \$8 million in January 1996. In the revised budget, contributions and program revenue were budgeted at 65 percent of income and state appropriations at 35 percent. However, as of June 25, 1996, Tennessee 200 had received about two-thirds of budgeted contributions and about one-fourth of budgeted revenue from sales of Bicentennial Bricks, merchandise, and Arts Festival tickets. Staff did not expect additional corporate contributions, and future program revenue was uncertain.

As of June 25, 1996, about 65 percent of projected expenses had been incurred, including half of the budgeted expense for the Bicentennial Train, the largest budget item. The January 1996 projection of expenses was still considered accurate. (The table on the next page compares budgeted with actual revenues and expenditures.)

The executive committee discussed the possibility of a revenue shortfall, and actions to take, in a series of meetings in February 1996. As a result, an additional state appropriation was requested. Through the 1996 Appropriations Act (Item 642), the General Assembly provided \$1.5 million in the state's fiscal year 1997 budget. Adding this \$1.5 million to the initial appropriation of \$2.82 million raises state government's share of the cost for Tennessee 200 bicentennial activities to \$4.32 million, 45 percent of the total.

### **LOW REVENUES FROM BICENTENNIAL BRICK SALES**

Although not responsible for the design and construction of the Bicentennial Capitol Mall, Tennessee 200 marketed granite bricks to be placed on the mall's Path of Volunteers, a walkway extending down each side of the mall. Sale of the Bicentennial Bricks was intended to provide citizens a special sense of ownership in the mall and to help fund bicentennial activities. For a \$60 contribution, individuals could receive a certificate and have a granite brick engraved with their name placed on the Path of Volunteers. For a \$96 contribution, the purchaser would also receive a commemorative brick with the bicentennial logo. Donor-level contributions of \$2,000 were solicited from individuals and organizations for two-foot-square bricks. The brick program was intended to be self-supporting and to partially subsidize mall celebration activities. However, brick sales have not reached expectations and may not cover expenses. Because of the slow rate of sales and the extension of the sales period, the engraved bricks were not available for installation in time for the June 1, 1996, celebration on the mall; a separate event to recognize brick purchasers will be scheduled later.

The board approved a letter of intent in November 1994 to acquire 150,000 bricks for sale but later reduced its sales goal to 50,000 bricks. In June 1995, Tennessee 200 authorized the production of 25,000 bricks at a cost of \$5.00 each (totaling \$125,000); an additional \$13.61 would be charged for engraving each brick. An order for 2,500 logo bricks, at a cost of \$12.50 each (totaling \$31,250), was placed in September 1995.

EXHIBIT 1

TENNESSEE 200, INC.  
 COMPARISON OF BUDGETED TO ACTUAL REVENUES AND EXPENDITURES  
 CUMULATIVE TO JUNE 25, 1996

**REVENUES**

	<u>Budgeted*</u>	Percent Of <u>Total</u>	Actual Received <u>To Date</u>	Percent Of <u>Total</u>	Percent Of <u>Budget</u>
State Appropriations	\$2,820,000	35%	\$2,820,000	52%	100%
Contributions	2,565,405	32%	1,744,318	32%	68%
Program Income:					
Brick Sales	1,880,000	23%	620,503	11%	33%
Merchandise	405,000	5%	36,193	1%	9%
Festival Tickets	400,000	5%	35,000	1%	9%
Interest Income	0	0%	185,328	3%	N/A
Total Revenue	<u>\$8,070,405</u>	<u>100%</u>	<u>\$5,441,342</u>	<u>100%</u>	67%

**EXPENDITURES**

	<u>Budgeted*</u>	Percent Of <u>Total</u>	Actual Paid <u>To Date</u>	Percent Of <u>Total</u>	Percent Of <u>Budget</u>
General & Admin.	\$960,000	12%	\$682,814	13%	71%
Local Programs	1,090,000	13%	457,152	9%	42%
Marketing	800,000	10%	568,550	11%	71%
Mall Activities	400,000	5%	697,256	13%	174%
Festival Events	2,000,000	24%	1,416,962	27%	71%
Bicentennial Train	2,948,360	36%	1,467,623	28%	50%
Total Expenditures	<u>\$8,198,360</u>	<u>100%</u>	<u>\$5,290,357</u>	<u>100%</u>	65%

\*Budget revised January 22, 1996

Source: Tennessee 200, Inc., staff reports to the board.

When the program began, local bicentennial committees were the primary selling agents. County committees received a \$10 or \$15 rebate on each brick purchased by a county resident to assist in the development of local bicentennial events and projects. After Tennessee 200 hired a manager for the brick program in October 1995, marketing efforts became concentrated in the central office. The brick brochure has been the primary means of publicizing the brick program, although television advertising and volunteers for telemarketing were discussed as sales options. Orders and payments are sent by purchasers to a lock-box; staff of the Treasury Department process the orders and payments, enter purchaser data, and send periodic sales reports to Tennessee 200.

Sale of bicentennial bricks officially began in November 1994. The sales period was initially set to end December 31, 1995, but has been extended to December 1996. The 18-month period ended June 24, 1996, showed sales of 6,888 sixty-dollar bricks and 1,964 ninety-six-dollar bricks for a total of 8,852 bricks. Reported revenue from brick sales totaled \$620,481 in June 1996 and included \$22,250 for corporate/donor bricks.

Reported expenditures for the program through June 1996 were \$430,501, but this figure does not include the full cost of the bricks ordered to date nor the salaries of two staff (totaling \$40,000 annually) with primary responsibility for the brick program. The full cost of the brick program would include the costs of administration, engraved bricks and bricks ordered but not sold or engraved, logo bricks, special plaques, and installation. Based on the combination of bricks sold and the average monthly administrative expense through June 1996, if 10,000 bricks were sold (before sales end in December 1996) and the 25,000 bricks ordered were installed, the estimated total program revenue would be \$679,200 and the total cost would be \$616,210, yielding an estimated net income of \$62,990 (see Exhibit 2). However, the full 150,000 bricks will be needed to pave the Path of Volunteers, and purchasing the other 125,000 bricks (\$5 each) will increase the cost by at least \$625,000, plus installation costs, resulting in an estimated shortfall of \$562,010.

If the current situation continues, the brick sales program will not be self-supporting and will not help subsidize the celebration activities as originally intended. Tennessee 200 might have increased sales by using volunteers for telemarketing and seeking television publicity, as the board discussed, or providing more sales outlets, more promotions in newspapers, and a lower-priced purchase option, or cooperating with other local and state organizations with historical and community interests. Since the sales period has been extended to December 1996, Tennessee 200 may still be able to develop these and other avenues to increase participation in this project.

EXHIBIT 2

TENNESSEE 200, INC.  
ESTIMATED BICENTENNIAL BRICK REVENUE AND EXPENSES  
JUNE 1996

For Selling 10,000 and Installing 25,000 Bricks:

**Estimated Revenue**

7,800 bricks, \$60 each	\$468,000	
<u>2,200</u> bricks, \$96 each	<u>211,200</u>	
<u>10,000</u> bricks, Total Revenue	<u>\$679,200</u>	\$679,200

**Estimated Expenses**

Bricks ordered as of June 1996		
25,000, \$5 each	\$125,000	
Engraving for 10,000 bricks, \$13.61 each	136,100	
2,500 logo bricks, \$12.50 each	<u>31,250</u>	
Subtotal	<u>\$292,350</u>	
Administrative costs allocable to the brick program		
Administrative costs reported June 1996	\$266,570	
Estimated admin. costs to Dec. 1996 (\$14,809/mo.)	88,854	
Staff salaries not reported as administrative costs	<u>40,000</u>	
Subtotal	<u>\$395,424</u>	
Purchase/Installation of special plaques	9,936	
Installation for 25,000 bricks	<u>81,500</u>	
Estimated cost for selling 10,000 and installing 25,000 bricks	<u>\$616,210</u>	<u>\$616,210</u>
Estimated Net Income		<u>\$ 62,990</u>

For Purchasing Additional Bricks to Complete the Path of Volunteers:

Cost of additional 125,000 bricks	<u>(\$625,000)</u>
Estimated loss from program for full 150,000 bricks	<u>(\$562,010)</u>

Source: Tennessee 200, Inc., staff reports to the board.

## NONCOMPLIANCE WITH CORPORATION REQUIREMENTS FOR QUORUM AND ANNUAL MEETING

### Meetings Lacking a Quorum

The board of directors of Tennessee 200, Inc., and its executive committee met and conducted business without having a quorum in attendance. From September 1993 through February 1996, a quorum was lacking at four of ten board meetings (40%), and nine of eighteen executive committee meetings (50%).

Section 2.07 of the bylaws of Tennessee 200, Inc., specifies that a quorum of the board of directors is a majority of the directors in office and that if a quorum is present when a vote is taken, the affirmative vote of a majority of the directors present is the act of the board of directors. Although the bylaws do not specifically address a quorum of the executive committee, Section 48-58-206(c), *Tennessee Code Annotated*, states that the board's quorum and voting requirements apply to committees of the board and their members as well.

When the final two members were added to the board in May 1994, board membership was 31, and the required quorum was 16. In May 1994, the executive committee was increased to 13, requiring a quorum of seven members. From February to August 1995, the commission (and the board) did not have a vice chair appointee, but the absence of a vice chair did not affect the quorum.

The bicentennial commission met in 1993 and passed responsibility to the board of directors of Tennessee 200, Inc. The board had met ten times and its executive committee had met 18 times as of March 1996. A quorum was lacking at 13 of the 28 Tennessee 200 board and executive committee meetings (46%). The table below shows the attendance record of members, based on the number of meetings held during each member's tenure on the executive committee and/or board.

#### **Tennessee 200, Inc. Board and Executive Committee Attendance**

9 members attended 76% -100% of meetings  
7 members attended 51% - 75% of meetings  
9 members attended 26% - 50% of meetings  
6 members attended 0% - 25% of meetings  
31 members, 54% average attendance

According to Section 48-58-205(b), *Tennessee Code Annotated*, "the affirmative vote of a majority of directors present is the act of the board." Decisions made at a meeting where a quorum was not present may not reflect the desire of the full board or executive committee. Based on the minutes, decisions at the meetings without a quorum included approving the hiring of field staff and promotions and salary increases for staff, approving marketing and vendor

contracts, and approving the concept and budget of several programs. Budgeted expenditures approved at meetings without a quorum totaled at least \$1 million.

#### Annual Meeting and Election of Officers

The board of directors of Tennessee 200, Inc., has not held its annual meeting in the principal office and elected officers at that meeting, as required by its own bylaws. Section 2.02 of the board's bylaws provides for an annual meeting of the board of directors "to be held at the principal office of the corporation on the first Tuesday in May of each and every year." The corporation's principal office, according to the charter, is 309 John Sevier Building, 500 Charlotte Avenue, Nashville, Tennessee. Apparently, no meetings have been held in this principal office.

Section 3.02 provides for the election of officers at each annual meeting. At its first meeting, on June 2, 1993, the board elected a president, vice president, secretary, and treasurer as officers. In 1994, the board met on the first Tuesday in May, but minutes do not document an election of officers except for filling the recently vacated position of board secretary. In 1995, the board did not meet on the first Tuesday of May. Minutes for its meeting on the third Monday of May did not record any election of officers, and a quorum was not present. Although the original treasurer resigned in January 1995, board minutes do not document the election of a replacement.

---

### RECOMMENDATIONS

---

The General Assembly in establishing similar commissions, and commissions them-selves in establishing boards and executive committees, may want to consider limiting the size of the commissions, boards, or executive committees and providing a mechanism for replacing nonparticipating members. A factor contributing to the difficulty of having a quorum for meetings may be the large number of people in the body—in this case, 31 members on the board and 13 members on the executive committee. In addition, some may see board membership as an honorary position. Having a smaller working board of active members could help a board comply with quorum requirements and perform its responsibilities. Interested persons who are not able to attend meetings regularly might serve on an advisory board.

Boards and commissions with citizen members may need some instruction in legal requirements, particularly the requirements for incorporated bodies. The Secretary of State's Office has made available for reference in booklet form the state legal requirements for non-profit corporations, and the public library has a copy for reference. The booklets have not been reprinted for budgetary reasons. However, the booklets could be very helpful in making the statutory requirements known and encouraging compliance, and they might be sold at cost to commissions and other entities incorporated under the nonprofit corporate statutes.

APPENDIX 1  
1996 TENNESSEE BICENTENNIAL COMMISSION MEMBERS  
April 1996

**Legislators**

The Honorable John S. Wilder, Lieutenant Governor and Speaker of the Senate  
The Honorable Jimmy Naifeh, Speaker of the House  
The Honorable Douglas Henry, State Senator  
The Honorable Thelma M. Harper, State Senator  
The Honorable Keith Jordan, State Senator  
The Honorable Joe Fowlkes, State Representative  
The Honorable Joyce B. Hassell, State Representative  
The Honorable Mary Pruitt, State Representative

**Governor's Appointees**

Ms. Martha R. Ingram, Chair  
Ms. Dancy Jones, Vice Chair  
Ms. Wilma Stokely, State Historian and representative of the Historical Commission

***Ex Officio* Members**

The Honorable Riley Darnell, Secretary of State  
The Honorable William R. Snodgrass, Comptroller of the Treasury  
The Honorable Steve Adams, State Treasurer

**Five Citizens from West Tennessee**

Mr. Irby Cooper  
Dr. Alfred D. Hill  
Ms. Mary Jane McWherter  
Mr. Jesse H. Turner, Jr.  
Ms. Virginia Vaughan

**Five Citizens from Middle Tennessee**

Mr. Johnny Cash  
Governor Winfield C. Dunn  
Mr. Amon Carter Evans  
Ms. Pam Garrett  
Mr. Bill Peeler

**Five Citizens from East Tennessee**

Ms. Joan Ashe  
Mr. Jim Epps, III  
Mr. John P. Franklin, Sr.  
Mr. H. Carey Hanlin  
Mr. John M. Jones, Sr.

The board of directors of the nonprofit corporation, Tennessee 200, Inc., consists of the 29 commission members listed above plus a representative appointed by the Governor (Mr. Bill Whitson), and a representative of the Attorney General and Reporter (Mr. Andy Bennett).

APPENDIX 2  
GRANTS AWARDED TO COUNTIES

<b>County</b>	<b>Formula Grant</b>	<b>Competitive Grant</b>
Anderson	\$2,950	
Blount	\$3,000	
Bradley	\$3,000	
Cannon	\$3,000	
Carter	\$3,000	
Chester	\$3,000	
Claiborne	\$3,000	\$10,000
Clay	\$3,000	
Cocke	\$3,000	
Coffee	\$3,000	
Crockett	\$3,000	
Cumberland	\$3,000	\$10,000
Davidson	\$3,000	
Decatur	\$3,000	
Dickson	\$3,000	
Dyer	\$3,000	
Fayette	\$3,000	
Franklin	\$3,000	
Gibson	\$3,000	
Giles	\$3,000	\$10,000
Hamblen	\$3,000	
Hamilton	\$3,000	
Hancock	\$3,000	
Hardeman	\$3,000	
Hardin	\$3,000	\$10,000
Hawkins	\$3,000	\$ 4,000
Haywood	\$3,000	
Henderson	\$3,000	
Henry	\$2,400	\$10,000
Hickman	\$3,000	
Houston	\$3,000	
Humphreys	\$3,000	
Jackson	\$3,000	
Jefferson	\$3,000	
Johnson	\$3,000	
Knox	\$3,000	\$30,000 (3 grants)
Lake	\$3,000	
Lawrence	\$3,000	
Lewis	\$3,000	
Loudon	\$3,000	
Macon	\$3,000	

APPENDIX 2  
GRANTS AWARDED TO COUNTIES (CONT.)

<b>County</b>	<b>Formula Grant</b>	<b>Competitive Grant</b>
Madison	\$3,000	
Marshall	\$3,000	\$10,000
Maury	\$3,000	\$10,000
McMinn	\$3,000	\$10,000
McNairy	\$3,000	
Monroe	\$3,000	
Montgomery	\$3,000	\$10,000
Morgan	\$3,000	
Obion	\$3,000	\$10,000
Overton	\$3,000	
Perry	\$3,000	
Polk	\$3,000	
Putnam	\$3,000	
Roane	\$3,000	
Robertson	\$3,000	
Rutherford	\$3,000	
Scott	\$3,000	\$10,000
Sevier	\$3,000	
Shelby	\$3,000	
Smith	\$3,000	
Stewart	\$3,000	
Sullivan	\$3,000	\$10,000
Sumner	\$3,000	
Trousdale	\$3,000	
Union	\$3,000	
Van Buren	\$3,000	
Warren	\$3,000	
Washington	\$3,000	
Wayne	\$3,000	\$ 5,000
Weakley	\$3,000	
White	\$3,000	
Williamson	\$3,000	





