



Delaware Auditor of Accounts
GASB Entity Determination Analysis Memo
Delaware Health Care Commission
June 30, 2015

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Part of Primary Government

Governmental Accounting Standards Board (GASB) Statements No. 14, 34, and 61 establish standards for defining and reporting on a government's reporting entity. Management is responsible for determining the reporting entity while preparing the government's financial statements. The Office of Auditor of Accounts (AOA) performed the analysis below to assess the State's reporting entity for audit purposes.

To complete our entity determination analysis, AOA reviewed the following:

- GASB 14, *The Financial Reporting Entity*
- GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34 amended GASB 14, ¶9, 11, ¶12, ¶19, ¶42, ¶44, ¶50 – ¶52, ¶54, ¶58, ¶60, ¶63, ¶65, ¶73, ¶74, ¶78, and ¶131 and superseded GASB 14, ¶45–47, 49, 56, and ¶57)
- GASB 39, *Determining Whether Certain Organizations Are Component Units*
- GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*
- *AICPA Audit and Accounting Guide – State and Local Governments*, Chapter 3: The Financial Reporting Entity
- *GASB 2011-2012 Comprehensive Implementation Guide*, Chapter 4: The Financial Reporting Entity
- *16 Del. C. c. 99. Delaware Health Care Commission*

1. *The PCU is not legally separate. (¶ 15)¹*
2. *The PG holds the PCU's corporate powers. (¶ 15)¹*

According to GASB, an organization has separate legal standing if it is created as a body corporate or a body corporate and politic, or if it otherwise possesses the corporate powers that would distinguish it as being legally separate from the primary government.

Generally, corporate powers give an organization the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and the right to buy, sell, lease, and mortgage property in its own name.

The corporate powers granted to a separate organization are enumerated in its corporate charter or in the legislation authorizing its creation. A special purpose government (or any other organization) that is *not* legally separate should be considered, for financial reporting purposes, part of the primary government that holds the corporate powers.

Application to Delaware Health Care Commission (the Commission)

The Delaware Health Care Commission is not legally separate from the State. The Delaware Codes states that “the Commission is constituted an independent public instrumentality and may call upon the Delaware Health Information Network and/or any state agency for assistance...For administrative and

¹ Paragraph references are from GASB 14, as amended by GASB 61.



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budgetary purposes only, the Commission shall be placed within the Department of Health and Social Services, Office of the Secretary” (16 Del. C. §9902 (b)). Further, the statutory language does not give the Commission the corporate powers that would distinguish it as a legally separate entity (e.g. body corporate or body corporate and politic).

Code and Definition Excerpts are as follows:

16 Del. C. § 9902. Delaware Health Care Commission.

- (b) The Commission is constituted an independent public instrumentality and may call upon the Delaware Health Information Network and/or any state agency for any assistance, information or data that may be necessary to carry out the purposes for which it had been established. For administrative and budgetary purposes only, the Commission shall be placed within the Department of Health and Social Services, Office of the Secretary.



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