

News From



A Publication for GMS Accounting and Revolving Loan System Clients

GMS, Inc. ¥ 10559 Metropolitan Avenue, Kensington, MD 20895 (800) 933-3501 ¥ Fax (301) 933-3502 ¥ www.gmsactg.com

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DOS Clients - Have You Installed Your 2004 Tax Changes Yet?

The 2004 tax changes were posted on the GMS FTP site in late December. Clients were faxed instructions on how to retrieve the tax changes from the FTP site and install the tax changes in their software.

If you are unsure if the 2004 tax changes have been installed, do the following:

- ◆ If your fiscal year began January 1, 2004, be sure you are in your new year directory.
- ◆ Go to the Supplement menu and hit the F2 key.
- ◆ (type) LOAD "GMSPRUP2 (tap enter)
- ◆ (type) LIST 11000 (tap enter)
- ◆ If it says 11000 'FICA 01/04, you have installed the 2004 tax changes. Just hit the F2 key and proceed with business as normal.

If it does not have the 01/04 date, you need to install the 2004 tax revisions now.

- Go to your web browser, i.e. Internet Explorer. In the web browser address field (Internet Explorer) type:
ftp://68.105.204.185 and press enter
It will display the login password window:
Login: gms_user
Password: (refer to your instructions for the password)
- Click on Login
- Double click on the 2004 FICA, EIC and state tax revisions folder
- Insert a blank diskette into your diskette drive
- Copy/Paste the GMSPRUP2.D03 file to your diskette drive
- When the download finishes, close the browser. Label the diskette "2004 Tax Revisions"

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Welcome New Users

Revolving Loan Servicing Systems

Maumee Valley Planning Organization-Defiance, OH

Dennis Miller, ED Shelly Coble, FO

Marsha Kolb, Admin Asst.

City of Live Oak - Live Oak, CA

Satwant Takkhar, FD Tracy Park, Sr. Admin. Asst/

Jasprit Bains, Admin. Asst. Pub. Svcs.

Ward Davison, Admin Asst. Pub. Svcs.

RLSS Windows – Adjusting Accrued Interest

As we developed the Windows version of RLSS software, we tried to take into account the various adjusting entries that may need to be processed. We also considered lending procedures and incorporated into the Windows system some safeguards that the DOS program did not contain.

A good example is that DOS allowed the posting of positive interest to a disbursement. "Current interest" gives the borrower credit for interest paid, and cannot logically be part of a disbursement, since no payment is being made. Thus, Windows will not allow this entry.

Because the DOS program had no controls written into the adjustment process, you could combine positive and negative numbers throughout the screen, including accrued interest. **It is important to understand that when using Windows, adjustments to accrued interest MUST be done as a separate entry.** This means two separate

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adjustments are made if there is a need to adjust accrued interest as well as any other component of the loan's history.

If there is an adjustment or correction necessary to reduce accrued interest, the activity total should be zero, and the same negative number (ex: -53.45) should be entered into both 'current interest' and 'accrued interest'. All other dollar fields must blank. This will result in no impact on the loan balance, and once recorded, will appear on the loan history as a negative in accrued interest only.

Likewise, if there is an adjustment or correction necessary to increase accrued interest, the activity total should be zero, and the same positive number (ex: 53.45) should be entered into both 'current interest' and 'accrued interest'. All other dollar fields must be blank. This also will have no impact on the loan balance, and will appear on the loan history as a positive number in accrued interest only.

Sometimes a payment is posted that is an inadequate amount to cover interest due, resulting in accrued interest. For example:

Activity Total	\$ 300.00
Current Interest	\$ 290.00
LateFee	\$ 10.00
Accrued Interest	\$ 50.00

In this scenario, total interest due when the payment was received was \$340.00. Because the payment of \$300.00 can only cover \$10.00 in late fees and \$290.00 in interest, the remaining interest due of \$50.00 is recorded as accrued interest (outstanding interest due as of the activity date) and will be collected automatically from future payments.

If this activity needs to be reversed due to an NSF check, it will require two separate adjustments:

1) Activity Total	\$ - 300.00
Current Interest	\$ - 290.00
Late Fee	\$ - 10.00
2) Activity total	\$ 0.00
Current Interest	\$ - 50.00
Accrued Interest	\$ - 50.00

Although separate adjustments for accrued interest may seem like an unnecessary step, the resulting loan history will be more easily understood. Hopefully, this will improve your ability to communicate the details of any loan to the borrower or lending personnel.

How To Handle W2 Corrections

Now that W2 processing is complete, you should know how to handle W2 corrections identified after you have filed your forms or diskette.

1. Use Form W-2c, Corrected Wage and Tax Statement to correct errors on previously filed Forms W-2 and W-2p. Send Form W-3c, Transmittal of Corrected Wage and Tax Statements, with Forms W-2c. File Form W-3c to correct a previously filed Form W-3.

2. If an employee loses or destroys copies, give your employee copies of Form W-2 marked "Reissued Statement". Do not send Copy A of the reissued statement to the Social Security Administration.

3. If a form is corrected before you file Copy A with the Social Security Administration, give the employee the corrected copies. Mark the original Copy A "Void" in the proper box and send the new Copy A to the Social Security Administration. Do not write "corrected" on the new Copy A.

4. If you filed a Form W-2 showing an incorrect address for the employee but all other information on Form W-2 is correct, **do not** file Form W-2c with the Social Security Administration merely to correct the address. However, if the address was incorrect on the Form W-2 furnished to the employee, **you must do one of the following:**

- Issue a new Form W-2 containing all correct information, including the new address. Indicate "REISSUED STATEMENT" on the new copies. **Do not** send Copy A to the Social Security Administration.
- Issue a Form W-2c to the employee showing the correct address in box b and all other correct information. **Do not** send Copy A to the Social Security Administration.
- Mail the Form W-2 with the incorrect address to the employee in an envelope showing the correct address or otherwise deliver it to the employee.

5. If you filed via magnetic media, but need to make corrections, you may do so following the above instructions.

Reminder!

If you are planning to attend the GMS Annual Conference in May, You MUST have your hotel reservations in by MAY 1 to guarantee a room

Training on Windows RLSS

Annual Conference Intensive

This training will benefit anyone considering converting to the new Windows GMS-RLSS or that has already converted. Taught by GMS staffers Karen Secoy and Marilee Floener, this session will cover every aspect of using GMS-RLSS so you can take advantage of all of its features. Among the topics will be setting up new loans, processing loan activity, using database queries, loan reporting and integrating accounting and RLSS. They will also demonstrate how to use the Master Query which is a database search that replaces the "ask for loan information" used in DOS. The Master Query allows the ability to produce reports that include a large variety of data. This is a great way to make sure that your loan policies and procedures are integrated with your RLSS software. This year features hands-on training. You will be able to enter new loans, enter and process loan activity and familiarize yourself with all of the functions and proper procedures for running the windows GMS-RLSS. This will be a great opportunity for RLSS staff!

Dual Indirect Pool

Several years ago, GMS developed Supplement #403 Dual Indirect Pool. This software allows you to establish two types of indirect pools - a common cost pool and a central management and administrative pool (now referred to as the management and general pool-M&G). Processed first, the common cost pool is used for joint costs that benefit both program activities and central management and administrative activities. General office supplies, postage, audit costs, etc, are examples of what might be considered common costs. The common cost pool is allocated, using a single base, to program activities and to the M & G pool. Program elements 999000-999400 (9990-9994 in DOS) are reserved for the common cost pool and expense code 59900 (599 in DOS) is used for the allocated amounts.

The M & G pool contains costs associated with those functions only. Typical types of costs for this pool would be the Executive Director's and other administrative and accounting staff salaries, related fringe benefits and travel. The M & G pool is allocated, using a single base, to program activities. Program elements 999500-999900 (9995-9999 in DOS) are reserved for this pool and expense code 59700 (597 in DOS) is used for the allocated amounts.

Many GMS clients are presently using the single indirect pool to allocate central management and administrative costs only. Other common costs are being allocated using separate bases or directly charged using various methods of

distribution. This practice appears to be used for many reasons. Some of which include:

- Many grants and contracts require reporting all M & G costs under the Administration component. They may also place a cap on the amount of Administration costs that may be reimbursed. Therefore, agencies felt it was easier to only include M & G costs in the indirect pool.

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DOS Software Program Backup Request

All GMS DOS users should make a program backup and submit it to our Maryland office no later than February 28. Additional program backups should be made for your files. For those agencies whose fiscal years begin in January, make the backup from your new directory.

Up-to-date program backups make it easy to assist you in getting your accounting, RLSS, HEAP, and Section 8 systems up and running properly should problems occur with your computer. If it is necessary for GMS to redo program revisions due to not having a recent program backup, we will charge \$75 per hour.

Program backups are generally requested in February and August. However, if program changes occur during the year, we strongly encourage you to make a new program backup at that time. Below are instructions for preparing program backups. If you need assistance, please contact our service staff.

1. Format at least 5 diskettes for each set of program backups. (2 for RLSS)
2. Go to the Main Menu of either your Accounting and Financial Management System, or GMS-RLSS system.
3. Choose #8. Backup Procedures, (#6 for GMS-RLSS) Then select #4. Program Backups (#3 for GMS-RLSS).
4. The automatic program backup will begin. Follow screen prompts.
5. Label each diskette with "GMS Program Backup", your agency name, type of system (accounting or RLSS), client number, and current date. Number the diskettes in the order they are used during the backup - this helps us locate programs faster.
6. Mail diskettes to GMS, ATTENTION: BACKUPS.
7. Prepare a second set of program backups for your files - repeat steps 1-5.

If you have a system other than GMS Accounting and Financial Management System or GMS-RLSS and you need assistance preparing program backups, please contact GMS service staff.

***DOS Clients - Have you done your 2004 Tax Changes Yet?
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- Insert the diskette labeled “**2004 Tax Revisions**” into your diskette drive.
- Go to the Supplement menu and hit the F2 key to clear your screen.
- (type) SHELL “COPY A:GMSPRUP2.D03 (tap enter) (It should say OK)
It should say “1 file copied”
- (type) LOAD “GMSPRUP2 (tap enter) (It should say OK)
- (type) MERGE “GMSPRUP2.D03(tap enter) (It should say OK)
- (type) SAVE “GMSPRUP2 (tap enter) (It should say OK)
- Hit the F2 key to return to the Supplement menu.

***Dual Indirect Pool
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- IRS Form 990 requires reporting the total M & G cost separately.
- Agencies wanted to keep their indirect rate low, so therefore, common and joint costs were not included in the indirect pool.
- Funding sources may require individual identification of administrative costs in program budgeting.
- Certain common costs may not lend themselves to allocation among programs using the same allocation as other common costs.
- Certain common costs may be applicable to specific program locations.

How do you know if the Dual Indirect Cost Pool approach is for you?

We believe that many GMS clients may benefit by using the Dual Indirect Cost Pool. Here are some criteria for assessing your situation.

1. Do you presently direct charge a variety of common costs?

If you do, then you may find that using the dual indirect cost pool will enable you to significantly reduce the volume of your accounting transactions and to more appropriately allocate these common costs to programs. Often, using a single base for the distribution of these costs (such as personnel costs or modified total direct costs) will result in a fair and equitable allocation without the massive amount of work required for direct charging.

2. Are there common costs which are now in your indirect cost pool which make your indirect costs appear high when compared to other organizations?

Obviously, this is an issue filled with redundancy since total costs will remain unchanged whether you use one or two indirect cost pools. However, using the dual indirect

cost pool will remove common costs from your indirect cost pool (M& G portion) possibly reducing your indirect cost rate and making it easier for outsiders to compare the overhead costs between organizations.

3. Would it simplify budgeting and reporting if you were able to report all common costs under one line item rather than individually identifying each line item of cost?

Using the dual indirect pool will result in a new line item - common costs, and will generally replace many specific line items such as office supplies, postage, audit and so forth. Many agencies will find that it will be better to budget these individual line items as a single amount and that using a rate for this purpose will improve and simplify budgeting and reporting. Our argument is that these costs are generally distributed using some type of allocation basis anyway - so why not budget in the same manner?

We developed this software to be compatible with many other GMS products and attempted to simplify complying with certain accounting and reporting requirements.

- ◆ Supplement #383, Shift Indirect only shifts costs allocated to expense code 597 in DOS. Therefore, you may shift central management and administrative costs to the Administration component, but have the common costs reflected under all elements of the grants and contracts. In Windows, you can shift both common (code 59900) and M&G costs, however you typically wouldn't want to shift common costs to the Administrative component.
- ◆ Supplement #402, FASB 117 Worksheets allows you to designate how both 597 and 599 costs are to be reflected on the worksheets. For those that don't use this supplement, the dual indirect cost pools will assist you and your auditor in preparing the audit statements in conformance with FASB 117. This supplement has not been rewritten in windows yet.
- ◆ Supplement #389 Cost Allocation Locks will accommodate locking in 59900 (599 in DOS) costs.
- ◆ The Dual Indirect Pool will assist you in the preparation of IRS Form 990.
- ◆ If you intend to use the Dual Indirect Pool supplement, make sure that you have revised your cost allocation plan to reflect the treatment of the common costs and have done your homework on the reporting requirements for each of the grants and contracts you administer. This supplement must be installed at the beginning of your fiscal year, in order to eliminate the need to make adjusting entries to move costs to new element numbers.

For more information on Supplement 403, Dual Indirect Pool, refer to your Help section under General Ledger, Cost Allocation Supps or electronic user manual under Supplements and Enhancements. It is included in the Cost Allocation Issues section.