

News From



A Publication for GMS Accounting and Revolving Loan System Clients

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Tax Form Season is Upon Us

For those of you who have ordered your 2006 tax forms from GMS, we thank you for your order and encourage you to check your order confirmations to ensure that all the proper forms and services ordered from GMS are correct. The appropriate W2,1099 and 1098 software revisions will be posted with the December 2006 GMS software revisions. GMS will begin shipping forms the last week in November, so that you can expect to receive your forms via UPS beginning the first week in December.

For clients who have requested GMS to print their forms for them, the normal turn around time is one week after we have received your completed diskette(s) or files via email beginning in January. Windows clients who have requested GMS to print their forms for them will zip up their database and email it in. Remember, if you have requested GMS to print 1099 or 1098 forms, you must use Supplement #330 Complete 1099's or Supplement #804 RLSS 1098's to prepare the diskette you send to GMS.

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The GMS Supplement Catalog for Windows software is on our website at www.gmsactg.com in pdf format. Print a copy for yourself or just review the supplements that are available. The easy access to the catalog assures you of the most up-to-date information on supplements.

The GMS offices will be closed Thursday, November 23rd and Friday November 24th in observance of the Thanksgiving Holiday! We wish the best holiday season to you and your families.

GMS DOS Programs Presently Being Used

As a reminder to GMS clients who are using any GMS DOS programs, we are canceling all contracts effective December 31, 2007. This includes all contracts for License/Warranty and Service/Support. We originally released this cancellation date in May, 2005 to allow ample time for GMS clients to prepare for upgrading to the Windows version. Also, it would allow clients who are using DOS programs other than accounting and RLSS to find Windows software that can give them the required information they need. Some examples of these DOS programs are HEAP, Section 8, Aging, Transportation, etc. With the unknown results of future hardware technology upgrades and operating systems, you want to make sure you upgrade before all of your hardware, particularly computers and printers, are incapable of supporting DOS applications.

If you are still using the DOS Accounting System, when trying to decide which fiscal year you plan on doing the conversion, you will want to make sure that your DOS directory can be closed out and audit completed before December 31, 2007. For January fiscal year clients, January 2007 will be your last opportunity to upgrade to the Windows version. If you have any questions regarding canceling the DOS contracts, please send an email to service4gms@gmsactg.com, attn. Linda.

In This Issue: GMS Staff Meeting Schedule...Handling Bankruptcies..Jan 1 FY Clients

Service Policy during GMS Staff Meeting

The GMS annual staff meeting will be held on November 19-21, 2006. From 9:00 am to 5:00 pm EST on November 20th and from 9:00 am to 12:00 pm EST on November 21st, we will check the service call voice mail and email every two hours and return emergency calls ONLY. One service staff will be available from 1:00 pm - 5:00 pm EST on November 21st since all other GMS staff will be traveling. **Service calls sent in by fax will not be responded to until Wednesday.** For emergency calls, you should call the toll free number and leave a message or send an email. There will NOT be service available after 5:00 pm EST during those two days. If calls can be returned on Wednesday, November 22nd or the following week, please specify so when placing your service call.

There will be no service staff monitoring the Service Chat Room on Monday or Tuesday of that week. We will be discussing our client service during the staff meeting, so if you have suggestions or ideas on how we can improve service, please contact any member of the GMS Service Staff.

We hope that this two day temporary change in service does not inconvenience your agency greatly. We will resume our normal service hours on Wednesday, November 22, 2006.

GMS Service Call Numbers:

Voice Mail: 800/933-3501

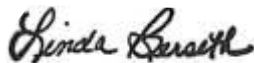
Fax: 301/933-3502

Email: service4gms@gmsactg.com

Dear Friends,

Later this month, the GMS Staff will join together in Cleveland, Ohio to hold our annual staff meeting. At this meeting we will be reviewing all of the suggestions we have received this year and will be establishing our 2007 work programs for both the accounting and revolving loan systems. We will also be finalizing the agenda for next year's annual conference, discussing our service policies and procedures and going over any administrative matters required. We value the input we receive from our clients and appreciate the suggestions we receive. If you have additional comments to make on any of the above topics, please send an email to service4gms@gmsactg.com, attention Linda.

Sincerely,



President/CEO

Welcome New Users

Accounting Systems

JCEO of Clinton & Franklin Co. - Plattsburgh, NY

Gordon Hazel, ED

Tonia Finnegan, FD

Sumpter Co. Opportunity Council - Livingston, AL

Lena Hardaway, ED

Eric Lore, FO

Revolving Loan Servicing Systems

Hancock Regional Planning Commission - Findlay, OH

William Homka, ED

Lydia Mihalik, Grant Admin.

Janis Cole, Asst. Grant Admin.

NC Biotechnology Ctr. - Research Triangle Park, NC

Joan Pifer, FD

Filing Requirements for W2 Magnetic Media to States

Make sure you know what your state requirements are for filing W2 magnetic media. Most states have a requirement that W2s must be reported via magnetic media if a certain number of employee's W2's need to be reported. In Supplement #400 W2 Magnetic Media Reporting, the W2Report file that is formed is in a MMREF-1 file format and contains the RS record. In Mississippi, this file format is accepted and would just have to be submitted to the state. Most other states that we are aware of also accept the MMREF-1 format that contains the RS record.

Before submitting paper copies of the 2006 W2's to your state, make sure you know the number of W2's allowed to be submitted by paper copy. You can always order the supplement if you don't presently have it to prepare this file. Also make sure you know the magnetic media filing requirements for 1099's to states. Place your order from our website at www.gmsactg.com, click on [Service calls](#) or email service4gms@gmsactg.com to [request the supplement.](#)

**Plan now to
attend the 22nd Annual
Financial Management
Conference April 15-20, 2007
in Las Vegas, NV**

The Help Manual or User Manual includes all instructions for those clients who have requested that GMS prepare the IRS Magnetic Media for their agency. Most orders will be shipped via UPS unless otherwise specified, and the shipping fee will be applied to the total of your tax form order. UPS delivery usually ranges from 3-5 days.

It is not too late to order your tax forms. GMS will accept all tax form orders up until December 1, 2006, however, a 10% late fee will be applied to all orders received after October 31, 2006. If you have questions please call the GMS office at ext. 1.

For January 1 Fiscal Year GMS Clients

For GMS clients who are converting to the Windows version of accounting system as of January 1, we will be doing the conversions and installations during the first two weeks in December, 2006. Since there will be no year-to-date payroll or vendor 1099 information to be converted, the timing of doing these conversions is basically irrelevant. This will also give you more time to get your chart of accounts and budgets entered prior to January 1. This should take a lot of the pressure off of your staff and the GMS staff around the holiday season. However, your leave balances will have to be revised to reflect the correct balance as of the last paycheck issued in December. To help us plan our staff schedules, if you are planning to upgrade as of January 1, please get your order submitted through our web site at www.gmsactg.com.

RLSS and Handling Bankruptcies

When dealing with high-risk loans, sooner or later your agency will likely be faced with a borrower who has filed for bankruptcy. In general, when a borrower files for bankruptcy, and your agency receives legal notification of that filing, the account is "frozen" until the outcome is determined. The following recommendations are based on routine lending procedures, but we recommend you defer to your own attorney or auditor for the best advice.

There are several steps to be taken in GMS-RLSS software to accommodate the bankruptcy.

Review the Master File for interest calculation. If the loan is set as Daily interest, it will not need to be edited. If it is set as Amortization, you will want to edit it to Daily interest, at least until further information regarding the bankruptcy is received.

Using menu option Loan Activity, enter a zero repayment. Use the date the bankruptcy was filed as the activity date, enter zero under activity total, and enter the previous paid-through date as the new paid-through date for this activity. This posting will result in the loan history "accruing" any interest due through the date of the bankruptcy, and the screen should reflect a positive number in the "accrued interest" field. You may want to use the notes section of the screen to document the bankruptcy filing.

Return to the Master File and change the interest percentage to zero (0.0%) so the loan will not accrue interest until further information is received regarding the bankruptcy.

The court may request a document as proof of claim toward the bankruptcy. Utilizing the supplement Loan Payoff, a document may be printed that reflects the principal balance and interest that has accrued through the date entered in step #2 above.

Once the bankruptcy is settled, you should receive a statement informing you of the amount awarded your claim by the court, along with an interest rate, if any, that may now be applied to the loan. If the new interest rate is zero, no activity needs to be recorded. If a revised rate is now in effect, repeat step #2 above, using the date interest is reinstated as the activity date, and then edit the Master File to reflect the new interest rate. When payments resume, be prepared to see part of the payment applied to accrued interest. This will be reflected as a negative number within the "accrued interest" field on the activity screen.

If the loan was set to Amortization prior to the bankruptcy, once the above steps are taken the Master File may be changed from Daily interest back to Amortization.

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

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(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.
- 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 (59700), 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 59700 and 59900 costs are to be reflected on the worksheets. For those that don't use this supplement, the dual indirect costs pools will assist you and your auditor in preparing the audit statements in conformance with FASB 117.
- ◆ 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.