

GMS Accounting and Financial Management System

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It is well known that organizations whose overall objective is not to increase their business profitability have as their mission helping and facilitating various initiatives for different communities, territories, and even countries. It is not well known, however, that such organizations, also called “non-profits” or not-for-profits, have their own peculiarities, differentiating them from regular for-profit businesses and estimably affecting their internal management processes, including accounting. As a result, for managing their everyday activities, not-for-profits typically use software that is specialized and tailored for the field.

GMS’s Customers and Market Positioning

So, accounting automation for non-profits is the area in which **GMS, Inc.** has been working since 1980. With more than 30 years of experience, the company feels pretty comfortable in meeting the field’s specific needs. In a recent conversation, Donald Cassidy, Director of Accounting Services at GMS, described the company’s direction, “Grant- and contract-funded non-profit organizations is the accurate description of our market. We have children services, senior centers, area agencies on aging, crisis centers, community action agencies, economic development corporations, regional planning offices, and even some departments within a city’s governments among the clients of GMS.”

With approximately 700 clients, GMS serves organizations ranging from small agencies with 2–3 employees to multimillion-dollar–budgeted non-profits with hundreds of personnel. Most of GMS’s clients are based in the United States, which is no surprise considering that GMS heavily concentrates on US legislation compliance of non-profits.

Mr. Cassidy continues, “We are active in making sure we keep our clients in compliance with US rules and regulations handed down from federal government as well as from most of the state governments. We have to keep very current of that, in addition to having a good product. A very important part of the strategy is to be able to say to our existing and prospective clients that if they use the software the way it was designed, you will be in compliance. That’s a critical thing.”

Challenges in Not-for-profit Accounting Practices

“The way it was designed” are the crucial words here. They underline the major distinction of GMS software from the average accounting package on the market—its specialization in grant- and contract-funded non-profits. Surely, other financial packages can handle the non-profit peculiarities, but they would first require customization, as there are many differences between the two business types and non-profit specifics would not be easily supported. The GMS system has been designed to cater to the not-for-profit specifics.

Accountability

Generally speaking, the differences between not-for-profit and for-profit accounting standards are notable, but not fundamental. Still, day-to-day activities are pretty similar to both accounting types overall. The major differences originate from the different nature of the businesses. Stakeholders of not-for-profits are mostly concerned with the transparency and appropriate use of funds, as well as their distribution among recipients. Standards for non-profits really come down to accountability and reporting, as these organizations do not own the money they operate with. Therefore, they have to be 100% accountable, or

as Cassidy clarifies, “explaining not that I spend X amount on something but also why I spent it, was it approved, was it in line in the budget.”

Funding

Another vital distinction of non-profits relates to the source of financing. In the not-for-profit world, no sales operations are involved, and the only funding sources are defined with finite grants or contributions. Non-profits aren't able to use sales mechanisms to change their spending budgets. Thus, the software should be capable of properly managing a limited and finite pot of money, with budget-

ing serving as the main working tool. Flexibility in supporting multiple types of funding and revenue sources is also highly desirable. Audit openness and compliance with intense governmental standards are the other sides of the equation.

Reporting

The third essential difference between the two accounting practices relates to the reporting arena. As different financial information is required by the public, stakeholders, and governments, it follows that the financial reporting structure would also be different. Reflecting those differences is the use of statements of financial positions, activities, or functional expenses rather than traditional balance sheets and income statements. Also, some data is not reported in the for-profit world, such as detailed reports on funds received. In addition, there are also differences in reporting for not-for-profits that are classified by state and local governments, like

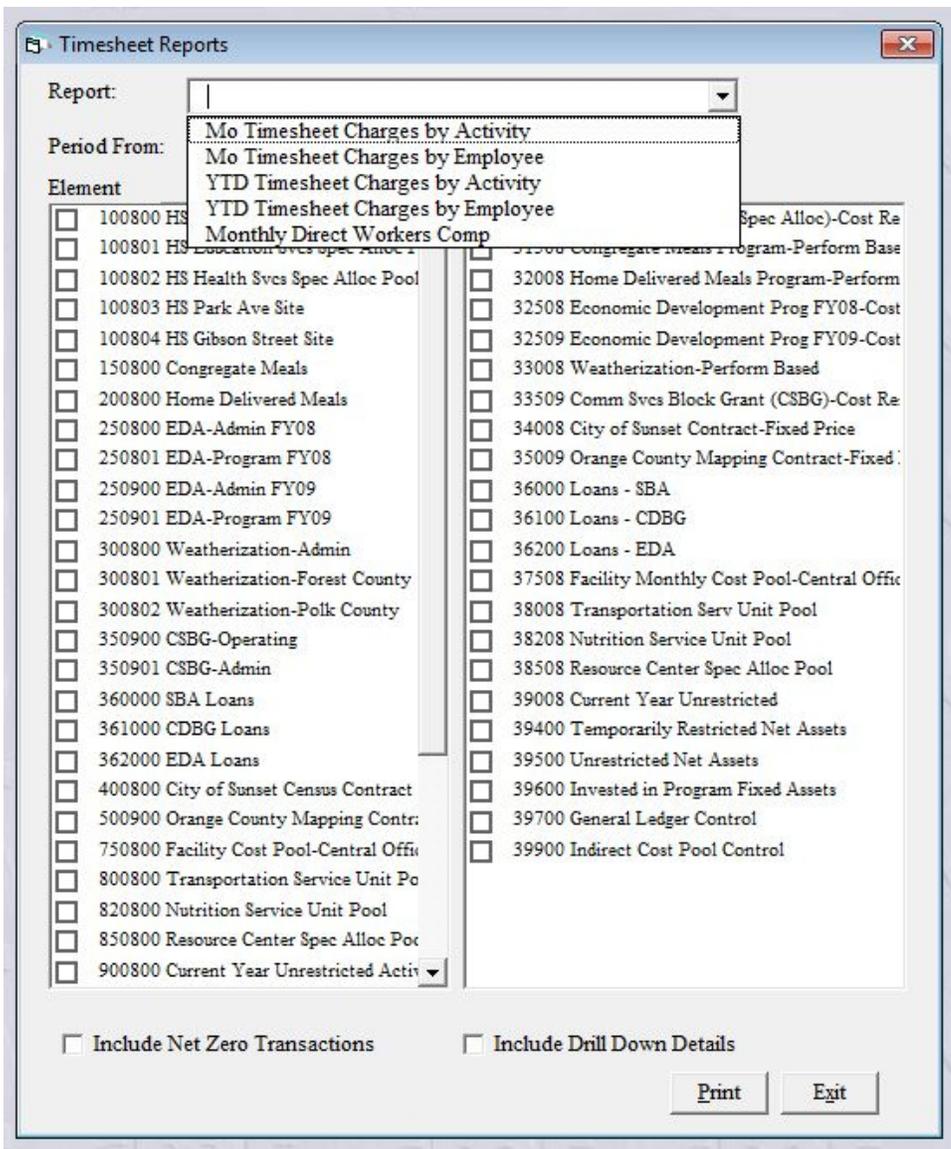


Figure 1. Timesheet Reports

some regional planning offices that are required to follow reporting requirements in accordance with the Governmental Accounting Standards Board (GASB). Other non-profit agencies classified as 501(c)(3) corporations are required to follow reporting requirements in accordance with the Financial Accounting Standards Board (FASB).

Costs

Lastly, a big issue that accountants of not-for-profit organizations face is properly setting up cost allocation procedures. Costs related to, say, employee leaves, fringe benefits, indirect costs, dual indirect pools, service unit and special allocations, agency administrative costs versus program administrative cost distinctions—should all be addressed using a financial software.

How Does GMS Accounting and Financial Management System Address These Challenges?

So, how does GMS accounting software support not-for-profit functional requirements and address the aforementioned challenges? Well, let's see what the vendor claims.

First of all, as the GMS accounting system was purposely designed to address the not-for-profit area in general and grant- and contract-funded non-profit organizations in particular, it fits well with the market segment by default. In other words, because it was not customized or redeveloped as a for-profit-oriented product, it caters to the peculiarities of the industry, by its very nature.

Secondly, prospects may be interested to know that GMS, a private firm fully owned by its employees, has never outsourced any of its functions to other companies. Therefore, as the company's overall success directly transforms into personal benefits for the staff, GMS employees are highly motivated and use their best efforts to meet their clients' needs.

Thirdly, the operational procedures GMS has in place for interacting with clients and providing customer support are quite unique nowadays. "Service is a huge thing for us and we service our own software. When you make a service call, you always speak to a GMS employee. That's the statement that not a lot of the competitors can make," Donald Cassady claims. The importance of service, and in particular the guaranteed 2-hour response time, brings a huge competitive advantage to the company.

Overview of GMS Accounting and Financial Management System Functionality

Mr. Cassady also points to a few most recent functional features of the GMS accounting software that allow the company to remain competitive within the niche and receive positive feedback from their customers.

Those features are as follows:

- Strong functionality in cost allocation, which is current, handled internally in the software, and based on all federal regulations, unlike that of many of GMS's competitors.
- Newly released capability to attach any electronic documents to various functions, such as all books of entry, employee and vendor master files, etc. Imported documents remain attached to forms that have been created within GMS, and their images are attached with a software function. This all makes the whole accounting process greener and dramatically reduces the traditional paper-based document flow.
- Capability to store and use electronic signatures for check-issuing procedures and purchase orders.
- Drill-down-capable reporting structure designed specifically for not-for-profit types of activities. All reports are customizable, but some technical knowledge is required.
- Capability for easy importing and exporting of data to and from third-party software packages, such as

payroll systems, check-writing programs, Microsoft Excel, bank reconciliation, etc.

- Automated Clearing House (ACH) debit tracking by vendor and W2 reporting of employer-sponsored health insurance costs.
- Option of having configurable approval and document flows (e.g., approval lines for printing documents, etc.).
- Support for audit standards and proper segregation of duties, along with the ability to track the necessary approval required.

offered are Accounts Payable, Budget Preparation, Cash Receipts/General Journal, Cost Allocation, General Ledger, Payroll, and Security. In addition, GMS offers a whole range of fully integrated supplementary modules that can be useful for some clients with specific needs. Among these modules are Accounts Receivable, Purchase Orders, Fixed Assets, Report Writer, Direct Deposits, and many more.

GMS also offers Revolving Loan Servicing System (GMS-RLSS), a separate product developed specifically for not-for-profit organizations that manage loan programs

and therefore require loan portfolio management and reporting software.

The screenshot shows the 'GMS Employee File' window for employee Linda Baker. The interface includes a header with fields for Code (1506), Last Name (Baker), First Name (Linda), MI, and Jr. Below this are tabs for Personal Data, Optional Qs, Tax/Deduction, and YTD Earnings. The Personal Data section contains fields for Status (A), Address (PO Box 4545), SS# (777-66-4444), Class (2 Part Time-no life), Rate (14.0000), Phone (302-333-2211), City (Zion), State (MI), Zip (20888), and A/H/P (H). There is a 'Special Pay' table with two rows of zeros. A 'Leave Balances' table shows two entries: AL (3.00 PPD, 78.20 Balance, 130.00 Max) and SL (2.00 PPD, 95.80 Balance, 0.00 Max). Other fields include Birth Date (09/18/68), Next Review (03/31/11), Wks Comp (3 Outside Employees), Hire Date (03/24/98), Position (9 Cook), Site (3 Gibson Office), Department (2 Social Services), Sex (F), and Last Rev (03/31/10). A sidebar on the left contains buttons for navigation and actions like 'New', 'Edit', 'Print', 'Find', 'Delete', and 'Exit'.

Figure 2. GMS Employee File

Standard and Supplemental Modules

GMS also offers decent core not-for-profit accounting system functionality that is fully compliant, built for the segment, and easy to use. The standard functional modules

that the demand isn't yet there in the non-profit world. Technically, it won't be difficult for the company to prepare offering the cloud-based or hosted application as soon as the market requests it. At this time, the largest request is to stay current and compliant with all governmental and other regulations, and to provide training, service, and support for the software.

The Road Ahead

Answering my question about different deployment options for the GMS software, Mr. Cassady revealed that the only way to deploy the software so far is via a traditional on-premise installation. GMS has performed demand research on whether customers and prospects are ready for a software-as-a-service (SaaS) accounting system, and discovered