

Providing Detailed Business Purpose/Justification for Expense

Business purpose standards help ensure that the benefit to the institution and compliance with regulatory requirements is clearly documented and can be understood by both internal *and external reviewers* (e.g. managers, auditors, IRS, etc.) for all financial and accounting transactions. In accordance with IRS rules on Accountable Plans, expenses incurred by University employees must serve a business purpose. This means the expenses provide a business benefit to the institution, not a personal benefit to the employee. When you create an expense report or submit your corporate card statement, you must give a detailed business purpose to justify the expense. Never enter acronyms as part of the business purpose. *Remember, the purpose must be clear enough to satisfy fiscal officers and auditors who may have little or no knowledge of your field.*

A necessary expense is one for which there exists a clear business purpose and is within University expense policy limitations. The business purpose must support or advance the goals, objectives and mission of the University; and should adequately describe the expense as a necessary, reasonable and appropriate business expense for the University. The specific business purpose of each transaction should be clearly stated on each expense report or accompanying receipt/documentation, and explain why the University has incurred the expense. The “why” should include the primary reason for the expense.

Some of the information needed to describe each expense may be covered with the information provided on the receipt or other transaction documentation. Departments need not repeat information in the business purpose that is already included in the transaction or other supporting documentation. Rather, to comply with policy, the justification must provide an explanation about the allowability, reasonableness, and benefit to the University not already apparent within the transaction or supporting documentation.

The business purpose should answer these questions:

- Who** This is typically answered by the employee submitting the expense. When an expense is incurred on behalf of someone else, (Arranged Travel), the name of the individual(s) should be included on the documentation or noted on the expense report.
- What** The receipt or other documentation should provide an itemized detail of what was purchased or what service was provided. If the receipt/documentation does not clearly indicate what was purchased, please make sure you add additional comments before submitting the expense.
- When** The transaction date will often identify the when. If not, make sure you clearly indicate the date of purchase or the date the service was provided.
- Where** The location of the expense is often identified on the receipt. When this is not the case, make sure you add that information before submitting the expense.
- Why** The “why” is the most important piece of information to support a business need. This describes why the University is paying for the expense so this should support the mission of the University.

Reason for Business Purpose

Andrews University must consistently meet and comply with legal, governmental and auditing requirements. Providing thorough, complete transaction justifications and supporting documentation protects and benefits the system in the following ways:

- Minimizes the risk of penalties and fines due to unsubstantiated business expenses.
- Ensures compliance with legal and regulatory requirements.
- Establishes adequate and consistent documentation standards for all financial transactions.
- Provides an independent and efficient source for obtaining transactional information.
- Complies with tax regulations that specify requirements for nontaxable reimbursements under an accountable plan versus reimbursements taxable to employees.
- Minimizes the reputational risks and adverse public perception.

A detailed, relevant business purpose will help reimbursements be processed more efficiently, with less chance of the expense report getting delayed or rejected. Here are some examples of unacceptable business purposes, and how to make them more detailed by including information on what the expense was, and why it was made. The detailed versions can also include who was involved, where it happened, or when it happened.

NOTE: The University is engaged in the business of education, so describing the expense in that context is appropriate.

Unacceptable Version of Business Purpose	Detailed Version of Business Purpose
Presented at SBL conference	Presented a paper at the Society of Biblical Literature to share research with colleagues
Meal with colleagues	Business meal with John Smith, guest speaker from Hope College and Mary Jones, AU chaplain
External Hard Drive	Portable USB Flash Drive needed for field research when away from the office
Lunch with donor	Lunch with donor (Bob Clark) to discuss giving opportunities in support of the building campaign.
Research collaboration	Various trips throughout South America to research rural education practices to provide data for journal publications titled "Improving Rural Education Systems".
Conference	Attended the American Society for Clinical Laboratory Science annual conference to keep up on current trends and for professional development.
Membership	This membership will provide certification for a program that I need in order to successfully complete my research work.