



Providing a Detailed Business Purpose/Justification

Business purpose standards help ensure that the benefit to the institution and compliance with regulatory requirements are 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, expenses incurred by system employees must serve a business purpose. This means the expenses provide a business benefit to the institution, not a personal benefit to the employee. Remember, the purpose must be clear enough to satisfy fiscal officers and auditors who may have little or no knowledge of your field. Never use acronyms.

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

The information gathered at the time of purchase or creation of the requisition often contains much of the information needed to describe the expense. Units need not repeat information that is already included in the transaction or supporting documentation. Instead, the business reason should build on information already apparent within the transaction or supporting documentation to explain why the expense is allowable and reasonable and results in a benefit to the university.

The business purpose should answer these questions:

Who is the individual you are paying?	In the case of a reimbursement, the “who” is the person being reimbursed. In other instances, the “who” is the vendor.
What is the transaction for (what is being purchased)?	The invoice or receipt detail typically answers this question.
When did/will the activity take place (if applicable)?	
Where did/will the activity take place (if applicable)?	
Why is the transaction occurring and how does the transaction relate to or benefit the University?	The “why” is the most important piece of information supporting a business need. This describes why the system is incurring the expense and how the purchase supports the mission of the system.



Reason for Business Purpose

The USNH financial transaction documentation 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 risk to the institution’s reputation and adverse public perception.

A detailed, relevant business purpose will help ensure more efficient processing of reimbursements, and lessen the chance of the expense report being returned for correction. Below are some examples of unacceptable business purposes, and suggestions on 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: USNH is engaged in the business of education, so describing the expense in that context is appropriate.

Unacceptable Version of Business Purpose	Acceptable Detailed Version of Business Purpose
Presented at conference	Presented a paper at the Exotic Animal Symposium to share research with colleagues
Meal with colleagues	Business meal with John Q. Doe – guest speaker from New England College, and Jane Q. Smith, Asst. Prof at PSU
External hard drive	Portable USB flash drive needed for field research when away from office
Lunch with donor	Lunch with donor to discuss potential giving opportunities to the University in support of student scholarships
Conference	Attended the National Association of Student Personnel Administrators conference to keep up on current trends and for professional development.
Membership	This membership will provide networking opportunities with colleagues in my field as well as access to a library of documents, which will assist in the advancement of our student life program.