

# Necessary Expenses and Business Purpose Requirements

## What is a necessary expense?

- One for which there exists a clear business purpose and is within university expense policy limitations
- One which provides a business benefit to the institution's mission and is not a personal benefit to the individual employee

## What is a business purpose?

- A justification that provides an explanation of the allowability, reasonableness, and benefit to the University

## What are the foundations of good business purposes?

1. The purpose must be clear enough to satisfy fiscal officers and auditors who may have little or no knowledge of your field
2. Jargon and acronyms must never be used as part of a business purpose (See 1.)
3. It should answer these questions:
  - **Who:** Usually answered by the employee submitting the expense as Concur reports are tied to specific individuals
  - **What:** What was purchased or what service was provided. An itemized receipt attached to the report for each transaction is required.
  - **When:** The transaction date, date of purchase, or date of service.
  - **Where:** The location of the expense – usually identified on the receipt.
  - **Why:** The most important piece of information. It describes why the university is paying for the expense so this must support the mission of the university

## Why do we need a business purpose?

Stephen F. Austin 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.
- These are EXAMPLES only. Your business purposes must be relevant and valid to the purchases made

<b>Unacceptable Version of Business Purpose</b>	<b>Detailed Version of Business Purpose</b>
Presented at ACS conference	Presented a paper at the American Chemical Society to share research with colleagues
Meal with colleagues	Business meal with John Smith, guest speaker from Hope College and Mary Jones,
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.