

Providing a Detailed Business Purpose/Justification

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, FOIA, etc.) for all financial and accounting transactions. In accordance with IRS rules on [Accountable Plans](#), 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. When you create an expense report, you must give a detailed business purpose to justify the expense. Never enter acronyms in the business purpose field. 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 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 on each expense report, and explain why the system has incurred the expense. The “why” should include the primary reason for the expense.

Much of the information needed to describe each expense is covered with the information gathered at the expense line creation. As described in the table below, the required fields in the Travel & Expense Management system (TEM) capture most of the information needed to support a valid business expense. Units need not repeat information in the business purpose that is already included in the transaction or supporting documentation. Rather, to comply with policy, the justification must provide an explanation about the allowability, reasonableness, and benefit to the system not already apparent within the transaction or supporting documentation.

The business purpose should answer these questions:

| | |
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| Who | This is typically answered by the employee submitting the expense report. When an expense is incurred on behalf of someone else, (Arranged Travel), the name of the individual should be included in either the Business Purpose or notes section of the expense report. |
| What | This is usually answered by the expense type, so please ensure you are selecting the most appropriate expense type. |
| When | The transaction date will often identify the when. If not, you can include the dated in either the Business Purpose or Department Reference field. |
| Where | The location of the expense is often identified in the location field. When this is not the case, if other support doesn't indicate location this can be included in the comment field. |
| Why | The “ why ” is the most important piece of information to support a business need. This describes why the system is paying for the expense so this should support the missions of the system. |

Reason for Business Purpose

The University of Illinois System 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 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 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 system is engaged in the business of research and education, so describing the expense in that context is appropriate.

| Unacceptable Version of Business Purpose | 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 Purdue University and Jane Q. Smith – Asst. Prof. U of I |
| External Hard Drive | Portable USB Flash Drive needed for field research when away from the office |
| Lunch with donor | Lunch with donor to discuss giving opportunities to the college in support of the building campaign. |
| Research collaboration | Various trips throughout South America to research rural irrigation systems to provide data for journal publications titled "Improving Rural Irrigation Systems". |
| Conference | Attended the International Bio-medical 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. |

Follow these steps to start an expense report and enter a detailed business purpose.

| Step | Task |
|------|--|
| 1. | Log in to the TEM system . |
| 2. | Click the Expense Report button. |
| 3. | Type a unique title in the Report Title field. |
| 4. | Select an expense report purpose from the Purpose menu. NOTE: Check the Purpose of the Document job aid for more information on these choices. |
| 5. | Type a detailed business purpose in the Business Purpose/Justification field. NOTE: The business purpose should state, at minimum, <i>what</i> the expense was, and <i>why</i> it was made. |
| 6. | Select an affiliation from the Payee Affiliation menu. |
| 7. | Click the Continue button. |
| 8. | Complete your expense report by following steps 4-14 in the Create an Expense Report (ER) job aid. |