**Business Purpose**

**Introduction**
When using University funds or requesting a reimbursement from University funds, documentation of a clear business purpose is required so that an approver, reviewer and/or auditor may reasonably conclude and agree that the expenditure is an appropriate business expense.

**Policy Statement**
The *business purpose* is a statement that adequately describes the expense as a necessary, reasonable and appropriate business expense for the University. All expenses support or advance the goals, objectives and mission of the University.

This regulation applies to all faculty, staff and students of Brown University who expend University funds. University funds are any funds contained within the University financial systems, including but not limited to, general, reserve, sponsored research, gift, endowment and capital.

This policy is applicable for any expenditure of University funds, such as requests for reimbursement or payment by the University regardless of the form of payment including, but not limited to, expense reimbursements, purchase requisitions, supplier invoices, and PCard transactions. The documentation of a business purpose is always required.

Expense approvers are responsible and accountable to determine whether expenses comply with the business purpose guidelines and the expenses are necessary business expenses.

**Definitions**
Defining an Appropriate Business Purpose

The 5 “Ws” (Who, What, Where, When, and Why) can help you determine if the expense meets the criteria of a University business purpose.

- **Who**: The documentation must note specifically who the expense is for or who was at the event funded by the University. Example – Travel Meal -: John Smith and Susie Cardinal.
- **What**: The University needs to know what type of event or activity occurred, or what was purchased. All receipts or invoices should be itemized. For example: 2 dinner entrees, 2 beverages, and 1 desert.
- **Where**: Document where the business activity took place. For example: Airfare AMA Conference New York
- **When**: Document when an event occurred. For example: 6/30/17 Grad Student Reception. Travel expense reports should include the beginning and the ending travel dates of the business event.
- **Why**: Most importantly, substantiate why the expenses are reasonable and appropriate for the university. The “Why” should include the primary reason for the expense. The table below provides examples of both appropriate and insufficient business purposes for the same expense.

In Workday, the business purpose is documented as follows:

- Expenses: Memo Field
- Supplier Invoice: Memo Field
- Purchase Requisition: Internal Memo
- PCard/Works: Comment Box
## Examples of Appropriate Business Purposes

<table>
<thead>
<tr>
<th>Type of Expense</th>
<th>Appropriate Business Purpose Description</th>
<th>Insufficient Business Purpose Description</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business meal</td>
<td>Finalize FY13 budget with Lunch with Dept. Chair Chair on June 29 at the Hope Club.</td>
<td>Hosting for grad students</td>
<td>All attendees should be listed. If the group is larger than 10 you may instead describe the group (Ivy Plus Controller's group).</td>
</tr>
<tr>
<td>Hosting</td>
<td>Reception at Paragon for graduate students to meet visiting lecturer, Prof. James Jones, who presented a lecture on Baroque art on 1/10/12.</td>
<td>Hosting for grad students</td>
<td>All attendees should be listed. If the group is larger than 10 you may instead describe the group (Ivy Plus Controller's group).</td>
</tr>
<tr>
<td>Travel</td>
<td>2013 AMA Conference New York from May 31 to June 4 for professional development.</td>
<td>Conference</td>
<td></td>
</tr>
<tr>
<td>Reimbursement</td>
<td>Books for Professor Carberry in preparation for him to prepare for his class on psychoceramics.</td>
<td>books</td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>Copy Paper and Pens needed while traveling away from campus</td>
<td>Office Supplies</td>
<td>Office supplies while on campus should be purchased using the Office Depot punchout.</td>
</tr>
</tbody>
</table>

Transactions that are determined to be for personal use or personal benefit will not be reimbursed.

### Responsibilities

**All Employees:** Provide a complete business purpose for all financial transactions. If another employee initiates the transactions on your behalf, provide the complete business purpose to that employee.

**Financial Coordinators:** On all transactions initiated, an explanation of the business purpose must be documented and should contain sufficient information so the approver, reviewer and/or auditor will clearly understand how the expense benefits Brown University. Explanations such as “research”, “business meeting” or “lunch meeting” are NOT sufficient explanations of business purposes.

**Cost Center Manager:** On all transactions reviewed, ensure the five components of an appropriate business purpose are documented.

**Accounts Payable:** Reviews financial transactions for completeness and for adequate business purpose.

Final determination of the adequacy of the business purpose explanation and whether it sufficiently justifies the expenditure of University funds resides with the Vice President and Chief Financial Officer and is administered by the Director of Administrative Services and Outreach.

**Policy Owner** approved by Vice President for Finance & Chief Financial Officer

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