**BUSINESS PURPOSE**

**Introduction**

The use of university funds requires documentation of a clear business purpose so that an approver, reviewer and/or auditor may reasonably conclude that an expenditure is an appropriate business expense.

All funds administered by the university are considered public funds, and accordingly, must be expended only for items resulting in public benefit. Public benefit must be apparent on all transactions (<https://www.policy.iastate.edu/policy/business/expenditures>).

**Business Purpose Statement**

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

The responsibility for providing a suitable business purpose resides with all faculty, staff and students who expend University funds. University funds include but are not limited to grants, projects, programs or gifts. Note that a business purpose for an expenditure on a federal grant may require additional explanation due to the more restrictive nature of grants.

A business purpose is necessary for any expenditure of University funds, regardless of transaction type, including, but not limited to, expense reimbursements, Travel & Hospitality Card, purchase requisitions, P-card, cyBUY, and supplier invoices.

**Definitions**

Defining an Adequate Business Purpose

The 5 “Ws” (Who, What, Where, When, and Why) can help to determine if expense documentation meets the criteria of a suitable business purpose. **Some of the “Ws” are likely answered in the transaction or the supporting documents, and not all are required in the memo line for every type of transaction**. The “Why” must be documented in the business purpose field since it usually cannot be ascertained from the transaction itself.

* **Who:** Documentation should note specifically who the expense is for or who attended the event funded by the University. Example – Candidate Interview Meal -: John Smith, Hector Gold and Suzanne Cardinal.
* **What:** Documentation should explainwhat type of event or activity occurred, or what was purchased. All receipts or invoices should be itemized. For example: 2 dinner entrees, 2 non-alcoholic beverages, and 1 desert. **Hospitality expenses have additional requirements.**
* **Where:** Documentation should note where the business activity took place. For example: Gateway hotel in Ames.
* **When:** Documentation should indicate when an event occurred. For example: 6/30/17 Graduate 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 necessary; the “Why” should include the primary reason for the expense. The table below provides examples and comparison of both adequate and insufficient business purposes.

In Workday, the business purpose is documented as follows:

* Expense Report:  Memo Field
* Purchase Requisition/cyBUY:  Internal Memo
* P-card:  Memo Field

**Examples of Adequate Business Purposes**

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| --- | --- | --- | --- | --- |
| **Type of Expense** | **Information to include for the Type of Purchase** | **Adequate Business Purpose Description example includes** | **Insufficient Business Purpose Description** | **Comment** |
| Hospitality or business meeting (including food) | Provide the purpose of the meeting, the date and location where the meeting took place, and how it benefits the university. Include a separate list of attendees. | Meeting on 10/01/2020 to collaborate on SPECIFIC RESEARCH and UP COMING ITEMS related to the project.  List of attendees attached to backup documentation. | Project lunch meeting | All attendees should be listed. This may be an attachment. Typically more restrictive on grants. |
| Conference or Travel | Include the attendee with start and end dates of travel.  If a student is traveling, provide an explanation of how the University benefits. | To attend the 2019 American Marketing Association Conference in San Francisco, CA, August 4-6, 2019 for professional development. | AMA Conference | For grants, include if you presented findings from the PROJECT at the conference. If available include the travel authorization number for the traveler. |
| Consumables or Office Supplies | The purpose and intended consumers of these items should be clear since University funds can generally not be used to purchase these items for break room employee only consumption. | Purchased coffee, creamer and bottled water for meetings with visitors and customers to DEPARTMENT NAME. | Coffee, bottle water, creamer OR Pens, notebooks and toner | Typically not allowed on a grant. |
| **Type of Expense** | **Information to include for the Type of Purchase** | **Adequate Business Purpose Description example** | **Insufficient Business Purpose Description** | **Comment** |
| Membership fees | Why the membership is necessary for the individual and how it benefits the university's mission. | 2019 NATIONAL ACADEMIC ADVISING ASSOCIATION membership for EMPLOYEE NAME to increase his/her ability to assist students as an academic advisor. | 2019 NACADA membership for EMPLOYEE NAME | Typically not allowed on a grant. |
| Research/lab supplies | General description of supplies and how used. | Focus 3ml 60 mg cartridge needed for analysis on PROJECT NAME. | Supplies needed for Dr. Wu's lab | Must be allocable and necessary for a grant. |