

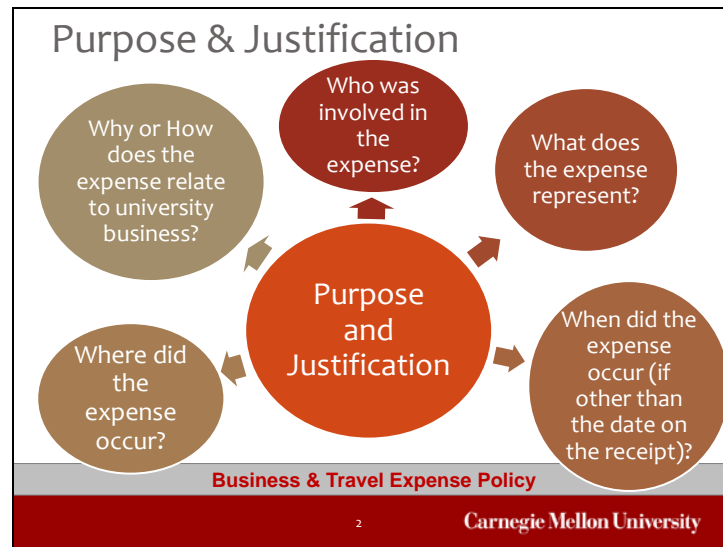
Slide 1

Carnegie Mellon University

www.cmu.edu



Business Purpose and Justifications
April 2011



If you create expense reports, you know that a Purpose is required on the report and if you create procurement card reports, you know that a Purpose is not required on the report. On both types of reports, additional information is required in the justification. All of the information provided on the report, the purpose and/or the justification, is important in order to allow a variety of people - approvers, division management, and auditors - to understand how the expenses relate to CMU business.

A guideline to use when considering the information that should be provided to support an expense are the '5 W's'

Who was involved in the expense?

What does the expense represent?

When did the expense occur (if other than transaction date)?

Where did the expense occur?

Why or How does the expense relate to university business?

While all of these questions may not apply to every transaction, the information should be included whenever available and relevant.

Expense Report – Business Expense Template

Purpose

- Level of detail (generic vs. specific) provided in the purpose can be dependent on whether all of the expenses on the report all relate to the same purpose
- Not available in the Oracle Grants Accounting application within R-Actuals data

Justification

- Should provide details for each expense that are not already included in the purpose – ensure 5 ‘Ws’ are answered
- Should provide support to the approvers, auditors, and management as to how the expense qualifies as a business expense
- Available in the Oracle Grants Accounting application within R-Actuals data

Business & Travel Expense Policy

3**Carnegie Mellon University**

There is sometimes confusion as to what the Purpose field in Oracle should be used for when preparing an expense report. Generally speaking, this field is what is used to capture the detailed explanation of the business reason behind the expenses that are included on the report. On expense reports that are created using the Business Expenses template, not all expenses on the report may be related to each other. If the report is being prepared with multiple types of expenses and the expenses are not in relation to each other (for example – the expenses range from office supplies to meals for self/others to express mail) – the purpose would need to be more generic while the details would be entered into the justification field of each expense. Something to note is that the purpose entered onto an Expense Report in Oracle does not appear in the Oracle Grants Accounting application within R-Actuals while the information entered into the justification does appear there. Because of this, you may want to ensure that your justification is detailed in order to provide as much information as possible to anyone reviewing your data in Grants Accounting.

Let’s take a look at some examples related to expense report purposes and justifications for business expenses.

Business Expense Purpose Examples	
Poor 'Generic' Purposes	Good 'Generic' Purposes
Various expenses for pre-college events	Expenses related to supplies, meals, and refreshments served during various Heinz pre-college events that were held between 01-Aug-2010 and 15-Aug-2010
Business expenses for A. Campbell	Variety of expenses for the timeframe of 05-JAN-2011 to 10-JAN-2011 associated with meals to discuss XYZ project, data plan for iPad, and parking garage charges incurred while meeting recruits in Pittsburgh
Business & Travel Expense Policy	
4 Carnegie Mellon University	

These are examples of both poor and good purposes for expense reports using the business expense template. In these examples, we are using a generic purpose because there are multiple expenses on the report and they may vary in terms of expense types and their relationship to each other.

In the first example, you could submit a report for a variety of expenses related to differing events. But, the purpose should be clear as to what the types of expenses are on the report, who is involved, and the timeframe of the expenses being submitted. Similarly, an expense report that is created for business expenses incurred during a particular timeframe should include an indication as to the types of expenses that were incurred and should also indicate the type of business the expenses relate to.

When generic purposes are provided, the justification for the expenses on the report should contain the detail – to round out the 5 W's.

The slide is titled "Business Expense Purpose Examples" and is divided into two columns. The left column is titled "Poor 'Specific' Purposes" and contains two boxes: "Lunch meeting" and "Expenses from the New Student Welcome Event". The right column is titled "Good 'Specific' Purposes" and contains two boxes: "PI Joe Brown held lunch meeting at Lucca's restaurant on 10/1/10 to discuss EPP Research project, XYZ, with EPP PhD students, Kathy Walker and Bob Smith" and "Expenses from the New Student Welcome Event to discuss financial aid and registration; sponsored by the Student Leadership Council of CFA, 10/12/20, 150 people in attendance". At the bottom of the slide, there is a red bar with the text "Business & Travel Expense Policy" and "Carnegie Mellon University".

Poor 'Specific' Purposes	Good 'Specific' Purposes
Lunch meeting	PI Joe Brown held lunch meeting at Lucca's restaurant on 10/1/10 to discuss EPP Research project, XYZ, with EPP PhD students, Kathy Walker and Bob Smith
Expenses from the New Student Welcome Event	Expenses from the New Student Welcome Event to discuss financial aid and registration; sponsored by the Student Leadership Council of CFA, 10/12/20, 150 people in attendance

Business & Travel Expense Policy

5 Carnegie Mellon University

While the prior examples were purposes that would be appropriate for expense reports being submitted for a variety of expenses, these are examples of purposes that could be used on a report that contains expenses that all relate to the same purpose. Looking at the poor purpose of 'Lunch meeting' the only 'W' question that is answered is the 'What'. The purpose does not contain the 'Why' as to how the lunch meeting pertains to university business.

Likewise, a New Student Welcome Event may generate multiple expenses that can all be submitted within the same expense report but the purpose should include information such as who sponsored the event, how many people were in attendance, the date of the event, etc. Details of the expenses themselves, if not provided in the purpose, would need to be included in the business justifications which is what we'll discuss next.

The slide is titled "Business Expense Justification Examples" and is divided into two columns: "Poor Justifications" and "Good Justifications".

Poor Justifications	Good Justifications
<p>iPad data plan for Joe Riley</p>	<p>iPad data plan for Joe Riley, Director of Student Activities, for 9/1/10-10/1/10. Joe requires wireless internet access as he frequently travels and works away from the office, and he is required to maintain contact with staff and students</p>
<p>Office supplies</p>	<p>Office supplies (pens, tablets and dry-erase markers) for teaching and general use by Alison Campbell.</p>

Business & Travel Expense Policy

6 Carnegie Mellon University

Looking at the Poor Justifications, while the iPad example provides who the expense relates to, there is no information provided as to how this particular expense is related to university business or the length of time that the data plan covers the iPad. In the next example, a justification of 'Office supplies' does not provide any information as to whether the office supplies are for a specific initiative within the department, for example for a professor's class or a PI's research, or if the office supplies are for general usage by the department.

Example – Business Expenses

Scenario: Heinz college hosts pre-college event to discuss financial aid options, provide registration information, networking with faculty

Template: Business Expense	
Purpose: Expenses related to supplies, meals, and refreshments served during various Heinz pre-college events that were held between 01-Aug-2010 and 15-Aug-2010.	
Expense Type:	Justification: (Who, What, When, Where, Why)
Unallowable	Drinks and snacks for a student meet and greet event on 8/12/10 in the student lounge; 150 attendees
Office Supplies	Pens, pencils, and notebooks supplied to students attending financial aid seminar
Meals Self/Others	Pizza (dinner) provided to students, faculty, and advisors on 8/05/2010 in the student lounge during a pre-college event that was focused on providing information about financial aid, registration, scheduling, etc.

7 Carnegie Mellon University

Now that we’ve reviewed purposes and justifications, let’s look at how they work together to provide the information necessary to understand why the expense was incurred.

In this example, we have a variety of expenses that were incurred in order to support pre-college events during the a specified time period. The purpose in this example is generic in that it doesn’t refer to the number of people involved in the event and the purpose of each and every event. You’ll notice that the first expense type chosen is unallowable – even though the expense was related to drinks and snacks that would often be charged to Refreshments. Because there was no business purpose stated in the justification as to what type of university business was discussed or conducted at the meet and greet, the expense type used is Unallowable. Another example to point out is the Meals Self/Others. Because university business was discussed and this was the reason for the dinner-time get together, the expense can be charged to the Meals Self/Others expense type rather than Unallowable.

In this example, the combination of the information provided in the Purpose and Justifications answer Who, What, When, Where, and Why.

Expense Report – Travel Expense Template

Purpose

- Should provide overview information about the travel (ex. the start and end date of travel, locations, and the business reasons of the trip)
- Not available in Oracle Grants Accounting application within R-Actuals data

Justification

- Should provide details for each expense that are not already included in the purpose – ensure 5 ‘Ws’ are answered
- Should provide support to the approvers, auditors, and management as to how the expense qualifies as a business expense
- Available in Oracle Grants Accounting application within R-Actuals data

Business & Travel Expense Policy

8 Carnegie Mellon University

If the expense report is being created using one of the travel expense templates, it is likely that all receipts on the report are associated with the same trip. In this case, the purpose that is entered should be more detailed and include information such as the start and end dates of travel, the location of the trip or travel, and the business reason for the travel. The information that is entered into the purpose does not need to be repeated in the justifications of the expenses however, as was noted in the business expense template discussion, the purpose information does not appear in the Oracle Grants Accounting application within R-Actuals. Again, because of this, you may want to ensure that your justification is detailed in order to provide as much information as possible to anyone reviewing your data in Grants Accounting.

Let’s take a look at some examples related to travel expense reports, their purposes and justifications. If the expense report is being created using one of the travel expense templates, it is likely that all receipts on the report are associated with the same trip. In this case, the purpose that is entered should be more detailed and include information such as the start and end dates of travel, the location of the trip or travel, and the business reason for the travel. The information that is entered into the purpose does not need to be repeated in the justifications of the expenses however, as was noted in the business expense template discussion, the purpose information does not appear in the Oracle Grants Accounting application within R-Actuals. Again, because of this, you may want to ensure that your justification is detailed in order to provide as much information as possible to anyone reviewing your data in Grants Accounting.

Let's take a look at some examples related to travel expense reports, their purposes and justifications.

Travel Expense Purpose Examples	
Poor Purpose	Good Purpose
Michael Smith travel to California	Michael Smith (PhD student) traveled to San Francisco, CA from 10/15-10/20/10 to attend the 2010 NACUBO conference to obtain knowledge re: higher ed practices and network with professionals from peer institutions
Meetings at Amazon to discuss research	Travel expenses associated with trip to Amazon in Seattle, WA from Sept 15-20, 2010 to meet with Amazon executives to discuss results of research of buying habits by age group

Business & Travel Expense Policy

9 **Carnegie Mellon University**

Looking at the poor purposes presented here, there is no information provided as to why Michael Smith was traveling to California. These examples don't provide an overall timeframe of the trips. Looking at the corresponding good purposes, it turns out that Michael was traveling to California to attend a higher ed related conference and also to network with fellow higher ed professionals. The meetings at Amazon were held to discuss research results and the meetings were in Seattle, WA.

Travel Expense Justification Examples	
Poor Justifications	Good Justifications
Shuttle	Fare for shuttle between Westin hotel and LA convention center for Professor Hill and Professor Dale, 04/10/10, during Global Warming conference where the Professors were presenting research results
Meals while traveling	Dinner at Cafe ABC for graduate student Marcus Taylor while traveling to Omaha in order to attend the XYZ Conference on 6/16/10-6/19/10

Business & Travel Expense Policy

10 **Carnegie Mellon University**

Looking at the Poor Justifications, a justification of 'Shuttle' does not provide any information as to where the shuttle was taken to and from, who was riding the shuttle (were there multiple people covered by the shuttle expense or was it just one person?), or the relationship of the shuttle ride to the university business. Lastly, justifications for meals should include the names of who attended if there were 5 or fewer people at the meal, the location of the meal, and how the meal relates to university business.

Example – Travel Expenses w/o Per Diem	
Scenario: John Doe provides receipts for trip to attend NACUBO conference. Per Diem not used.	
Template: Domestic Travel	
Purpose: Chicago, IL; Jun 5-6, 2010; To attend NACUBO conference on Valuation of Financial Information for professional development.	
Expense Type:	Justification: (Who, What, When, Where, Why)
Airfare	Roundtrip airfare from PGH Int'l to O'Hare
Ground Transportation	Taxi from Chicago airport to hotel on Jun 5, 2010
Meals Self/Others	Dinner on Jun 6, 2010 at Maggiano's with John Doe and George Smith, Director of Accounting at the University of Chicago, to discuss financial process improvements.
Daily Meals	Breakfast on Jun 5, 2010 – not included in conference registration - Dennys
Daily Meals	Breakfast on Jun 6, 2010 – not included in conference registration - IHOP

Here is another example of how the purpose and justifications work together to provide the answers to Who, What, When, Where, and Why. For this example, we'll look at a travel related expense report for a trip where per diems were not used.

The purpose indicates to the approver, auditor, and management where the employee traveled to, when the travel occurred, what the travel was associated with and the relationship of that travel to a valid business reason – in this case, professional development.

As we look at the justifications, the justifications for airfare and ground transportation contain the locations of the travel. The justification for the expense type of Meals Self/Others contains the names of the individuals who attended the meal, the date of the meal, where they ate, and what they discussed. The justifications for the daily meals demonstrate why there are expenses for breakfast and the name of the location.

Example – Travel Expenses w/Per Diem

Scenario: John Doe provides receipts for trip to attend NACUBO conference. Per Diem used.

Template: Domestic Travel

Purpose: Chicago, IL; Jun 5-6, 2010; To attend NACUBO conference on Valuation of Financial Information for professional development.

Expense Type:	Justification: (Who, What, When, Where, Why)
Airfare	Roundtrip airfare from PGH Int'l to O'Hare
Ground Transportation	Taxi from Chicago airport to hotel on Jun 5, 2010
Meals Self/Others	Dinner on Jun 6, 2010 at Maggiano's with John Doe and George Smith, Director of Accounting at the University of Chicago, to discuss financial process improvements.
Per Diem Meals	Breakfast (\$12) & Dinner (\$36) on Jun 5, 2010 – not included in conference registration
Per Diem Meals	Breakfast on Jun 6, 2010 (\$12) – not included in conference registration

12 **Carnegie Mellon University**

Here is another example of how the purpose and justifications work together to provide the answers to Who, What, When, Where, and Why. In this case, we are using the same scenario but this time we see that the employee is using per diems.

Since the purpose is the same as the prior example, let's focus on the per diems. The point to note on the justification for the per diems is that the preparer is indicating only the amounts for the breakfast and dinner meals are being expensed because those meals were not covered by the conference registration fee. On the second per diem meal, the only per diem amount being charged is the breakfast meal because the actual expense for dinner was charged in the Meals Self/Others example.

PCard – PCard Verification Report Template

Purpose

- Not a required field when creating PCard Verification Report and not expected to be used

Justification

- Should provide all of the details for each expense – ensure 5 'Ws' are answered
- Should provide support to the approvers, auditors, and management as to how the expense qualifies as a business expense
- Available in Grants Accounting within R-Actuals data

Business & Travel Expense Policy

13 **Carnegie Mellon University**

Finally, let's review the use of purpose and justification associated with the PCard Verification Reports. As was mentioned previously, the purpose field is not a required field when a PCard Verification Report is being created. This field is not reviewed from an approval or audit perspective and so it is recommended not to be used.

This makes the information entered into the justification field on PCard Verification Reports that much more important. For expenses incurred on Pcards, the justification must answer who, what, when, where, and why.

Let's take a look at some examples of justifications on PCard Verification Reports.

The slide is titled "PCard Expense Justification Examples" and is divided into two columns: "Poor Justifications" and "Good Justifications".

Poor Justifications	Good Justifications
Lunch meeting for the XYZ committee	Lunch for meeting of the XYZ PhD committee, XYZ representatives, and the program coordinator to discuss improving the program and assigning committee positions for the upcoming academic year held on 8/27/10 in UC Connan; 11 attendees.
Conference registration for A. Campbell	Registration for A. Campbell to attend the NACUBO Annual meeting in New York, NY on April 1, 2010 for professional development and networking.
Subscription to eLearning Course Curriculum	Annual subscription for calendar year 2010 for eLearning Course Curriculum magazine for purposes of professional development and staying aware of technology and trends in the eLearning arena.

Business & Travel Expense Policy

14 Carnegie Mellon University

Looking at the Poor Justifications, the lunch meeting for the XYZ committee does not provide any indication as to whether anything related to business was discussed, who was included in the meeting, how many people were included, where the meeting was held, etc. The justification of 'Conference Registration for A. Campbell' does not provide any substance as to how the conference is related to university business, what the conference is, or where the conference will be or has been held. Finally, the example of the subscription does not provide information to explain if the subscription is for a periodical or an online course, how long the subscription is for, or how the subscription relates to a business purpose. The information provided in the 'good' justification examples is critical from the perspective of those approving expenses to those auditing expenses in order to ensure that there is a business reason for the expenses.

Template: PCard Verification Only	
Expense Type:	Justification: (Who, What, When, Where, Why)
Non Travel Business Meals	Lunch provided for Amanda Perkins' 9/10/2010 meeting presentation to Heinz faculty and staff on the current state of the Heinz College held in HbH 1000 (65 attendees).
Office Supplies	Name tags and permanent marker pens to be used by Admissions Office to identify students, faculty, and staff during student orientation information sessions to be held in Baker Hall in August 2010.
Conference Domestic	Conference registration for Liz Cooke to attend the American Society of eLearning annual meeting in Philadelphia, PA from Nov 4-7, 2009 to present research results

Business & Travel Expense Policy

15 **Carnegie Mellon University**

Provided here is an example of a PCard Verification report and the type of information that should be included in the justification for different types of expenses. We won't go into detail on each of these examples but the intent is to represent that the detail provided in these justifications answer the questions of:

- Who was involved in the expense?
- What does the expense represent?
- When did the expense occur (if other than transaction date)?
- Where did the expense occur?
- Why or How does the expense relate to university business?

	Purpose	Justification
Business Expenses Template	X	X
Travel Expenses Template	X	X
PCard Template		X

Business & Travel Expense Policy

16 Carnegie Mellon University

In summary, the purpose field and justification field are both required on expense reports – regardless of which expense report template you are using to create the expense report. As a result, the information in both the purpose and justification fields can work together to provide the approver, auditor, management, etc. an understanding as to how the expenses relate to university business.

When verifying PCard expenses, the justification field is the only field available to provide all of the information that is required in order to demonstrate that the expenses relate to university business.