

# Webster University

## Contemporaneous Documentation Policy

Effective June 1, 2006

The University's documentation requirements parallel the IRS requirements. Webster University Guidelines for Travel state:

*“Entertainment expense, to be reimbursable, must be an expenditure essential to the transaction of Webster University business. The IRS requires specific details when reporting entertainment expenses, as follows:*

- *Date of entertainment.*
- *Name, address or location or place of business where entertainment occurred.*
- *Type of entertainment if not apparent from designation of the place.*
- *Business purpose or benefit derived from designation of the place.*
- *Nature of business discussion or activity.*
- *Name, title, occupation or other information concerning the person entertained sufficient to establish a business relationship.”*

Our auditors have provided additional guidance related to required IRS documentation, as follows:

*“No deduction is allowed for away-from-home travel expenses, entertainment expenses, business gifts or listed property (including cars) expenses unless the taxpayer substantiates each of the following elements for every separate expenditure:*

- *Amount of the expense, or item;*
- *Time and place of travel, entertainment, amusement, etc.;*
- *Date and description of business gifts;*
- *Business purpose of the expense or item;*
- *Business relationship to taxpayer of each person entertained or receiving a gift.*

*Sufficient information must be submitted to the payer to enable the payer to identify the specific nature of each expense and to conclude that the expense is attributable to the payer's business activities. Therefore, each of the elements of an expenditure or use must be substantiated to the payer. It is not sufficient if an employee merely aggregates expenses into broad categories*

*(such as travel) or reports individual expenses through the use of vague, non-descriptive terms (such as miscellaneous business expenses).”*

In short, expenses for entertainment must be directly related to, or associated with, the active conduct of official University business and must serve a clear University business purpose. **First, the employee** is required to provide appropriate documentation when requesting reimbursement or payment to a vendor. **Second, a supervisor with budget authority** must determine that the entertainment expenditures are properly documented, reasonable and justified before approving any entertainment expenditure. Both of these steps must be completed before the request for payment is presented to the accounts payable department.

Examples of when meals or entertainment expenses may be reimbursable are, as follows:

- **Host to Official Guests** - including visitors from other universities, members of the community, University employees visiting from another work location, etc.
- **Meetings of an Administrative Nature** - held that directly concern the welfare of the University, including working lunches that are part of scheduled meetings. (Note: Typically, reimbursement will not be allowed when two or more employees from the same work location choose to go to lunch together to continue their business as an incidental part of the meal, or when the meeting could have been scheduled during regular working hours.)
- **Student-oriented Meetings.**
- **Prospective University Donors** – individual lunches, dinners or events for the purpose of generating the goodwill of prospective donors.
- **Receptions** – held in connection with conferences, fundraising events, meetings of student organizations/groups, employee recognition, student events such as commencement exercises, etc.
- **Faculty/Staff Gatherings** – held on a periodic basis for employee morale, with prior approval. (Note: This grouping ranges from gatherings for employee birthdays or employee farewell to holiday parties. The appropriateness of the expenditure should be discussed and approved by your supervisor in advance.)

In all instances, the business purpose, the individual(s) or group(s) attending, and the affiliation of the individual(s) or group(s) to the University must be documented as an integral part of the payment request. Each of these requirements is discussed further below.

- In order to satisfy the business purpose requirement, the individual must describe the nature of the discussion, specific reasons for entertainment or the benefit expected. Examples of appropriate documentation could be as general as “budget planning”, “alumni development”, “donor cultivation”, “financial results”, “planning for upcoming trustee meeting”, “birthday cake for named employee”, etc.

- For routine or standing meetings with an established participant list (e.g., Board of Trustees, Administrative Council, Web Services Group, Annual Directors Meeting, Faculty Senate Meeting, Finance Office Staff) or where the group is so large it would be very difficult to name all of the attendees (e.g., Staff Appreciation Breakfast, WSA Professional Development Seminar, Faculty Senate, Student Government Association), the persons entertained need not be individually identified by name and title/affiliation. However, the name of the group in attendance and the number of attendees must be provided.
- Finally, if the individual(s) entertained are employees of the University, it is appropriate to document their job title. When the individual is not an employee or if the request relates to a group, the affiliation of that individual or group should be documented. Examples of appropriate affiliation descriptions are “prospective donor”, “alumni”, “student”, “vendor”, “staff”, etc.

It is in the best interest of the employee and the University to provide appropriate documentation of travel and entertainment expenditures. If the expenditure is a part of away-from-home travel, the documentation must be provided on page 2 (the back) of the Travel Expense Report. Other entertainment expenditures can be documented as supplemental information to the Local Expense Report or the vendor statement. In any event, documentation must be provided.

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The following procedures have been initiated, effective immediately, in order to ensure compliance with University policies and IRS requirements:

- Accounts payable staff will review all travel and entertainment expense payment requests, related to vendor invoices or employee reimbursement, for proper documentation of the business purpose and/or names and business relationship of those being entertained.
- If the proper documentation is not provided, the request will be returned to the approver in order to obtain the proper documentation.
- Any question related to the sufficiency of the documentation will be decided by Curt Vehlewald or Vickie Fredrick.

In the case where it is determined that the reimbursement or expenditure does not have a proper business purpose, but reimbursement or payment is still to be made, then, the amount paid will be processed as taxable income via the payroll system.

Whether you are an employee submitting an invoice or request for reimbursement and/or a supervisor with budget authority, I appreciate your prompt attention to and compliance with the above policy. Proper documentation and approval will allow payment requests to be made on a timely basis.