



THE UNIVERSITY OF NORTH CAROLINA  
AT  
CHAPEL HILL

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To: Deans, Directors, Department Chairs, and Business Managers

From: Martha Pendergrass *MP*  
Director

Subject: Business Entertainment Expenses

Date: June 12, 2002

My purpose in writing is to reiterate the importance of appropriate documentation of business entertainment expenses. From the University Business Manual Accounting Services Section Policy 23, page 4:

**Documentation Requirement**

Business entertainment expenses must be documented (substantiated) to meet requirements of the federal tax code (see section below), and prudent business practices. To meet these standards the expenses must be documented to show:

**1. Identification of the persons or group being entertained** - If a small group (8 or less individuals) is being entertained, the names of all persons attending must be shown along with the number of persons attending.

**2. A statement as to the reason for such business entertainment** - Indicate how the business entertainment benefited the University and clarify the relationship of the persons in attendance to the particular aspects of the University's programs or activities (titles, committee names, field of interest of person being entertained, reason for visitor being on campus, etc.).

**3. The place of entertainment** - The location must be provided. Receipts for business entertainment expenses are required for reimbursement to employees. If payment is to be made to a vendor, the normal invoice or statement of costs is required.

Payments are to be made for business entertainment expenses when the documentation is complete. A request for documentation is forwarded to the individual responsible for the account when additional documentation is required. If appropriate action cannot be taken to properly document the expense, the employee should bear the cost of the business entertainment.

I would urge each of you to re-read Policy 23 in its entirety and to contact Central Audit or myself if you have any questions. Policy 23 is located on the web at <http://www.ais.unc.edu/busman/act/actpol23.html> and you can reach the team leader for Central Audit at 962-0747 or myself at 843-5048. Thank you.