

SOP Template: Expense Categorization and Coding Requirements

This SOP defines the **expense categorization and coding requirements** to ensure accurate financial reporting and budgeting. It covers the standardized classification of expenses, coding protocols, approval workflows, and documentation standards. The objective is to streamline expense tracking, enhance transparency, and support compliance with accounting policies and regulatory guidelines.

1. Scope

This SOP applies to all employees, managers, and finance staff involved in processing, approving, and recording company expenses.

2. Responsibility

- **Employees:** Accurate categorization and coding of their expenses.
- **Managers:** Review and approval of expenses for correct categorization/coding.
- **Finance Team:** Oversight, training, and compliance monitoring.

3. Standardized Expense Categories

All expenses must be classified using the following standardized categories:

Category	Examples
Travel	Airfare, lodging, meals, transportation
Office Supplies	Stationery, printer ink, paper
Professional Services	Consulting, legal, audit fees
IT and Software	Software licenses, hardware, subscriptions
Employee Benefits	Health insurance, training, wellness
Other	Unclassified or unique expense types

4. Expense Coding Protocols

1. **Use of Chart of Accounts:**
 - Each expense must be assigned an account code from the official Chart of Accounts.
2. **Project/Department Codes:**
 - When applicable, include the relevant project or department code.
3. **Sub-codes and Cost Centers:**
 - Apply sub-codes or cost center codes for detailed tracking.
4. **Mandatory Fields:**
 - Date, vendor name, description, and amounts must be recorded for each expense.

5. Approval Workflow

1. Employee submits expense report with supporting documentation and codes.
2. Immediate supervisor reviews for accuracy and adherence to categorization/coding standards.
3. Finance team conducts final review before posting to accounting system.

6. Documentation Standards

- Attach itemized receipts, invoices, or contracts for all expenses.
- Ensure clear justification and business purpose is included.
- Retain electronic copies according to records retention policy (minimum 7 years).

7. Compliance and Audit

- Random audits will be conducted to ensure compliance.
- Non-compliance may result in returned reports or disciplinary actions.
- Continuous feedback and improvement to the categorization or coding structure as needed.

8. Revision History

Date	Version	Description	Author
2024-06-05	1.0	Initial creation	Finance Department