Guidance for Providing a Detailed Business Purpose

Business purpose standards help ensure that the benefit to the institution and compliance with regulatory requirements are clearly documented and can be plainly understood by both internal and external reviewers of all financial and accounting transactions. Expenses incurred by UW employees must serve a business purpose. The expense provides a business benefit to the University, not a personal benefit to the employee.

An allowable expense has a clear business purpose and complies with policy limitations set by applicable federal regulations, sponsored contracts, and University policy. The business purpose must support or advance the University's goals, objectives, and mission. It should adequately describe the expense as a necessary, reasonable, and appropriate business expense for the University. It should also be reasonable, meaning not extreme or excessive, and reflect a prudent decision.

Criteria For a Valid Business Purpose

All University-related business expenses require clear, complete, and accurate supporting documentation. A detailed business purpose should contain who the transaction benefits, what the transaction is for, when the goods or services will be needed, where the goods or services will be used/consumed, and why the goods or services are needed.

Therefore, the collective documentation associated with an expense should answer the who, what, when, where, and why (5 W’s) of each transaction. To comply with best practices, the person completing the expense report, purchase requisition, non-PO invoice, or interdepartmental transfer (IDT) must provide adequate information for each of the applicable document fields as identified in the table below.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Question</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who</td>
<td>Who does the transaction benefit?</td>
<td>Should include the names or positions of the UW employees directly involved in negotiating, requesting, or initiating the transaction with the payment recipient. When an expense is incurred on behalf of someone else, (arranged travel), the name of the individual should be included in the description, purpose, or justification section of the expense report, requisition, non-PO invoice, or IDT.</td>
</tr>
<tr>
<td>What</td>
<td>What is the transaction for?</td>
<td>This is initially determined by the expense type, requisition category, or natural account used. Please ensure to select the most appropriate option. If a sufficient explanation is not provided on the supporting documentation attached to the expense report, requisition, non-PO invoice, or IDT please provide additional details as it relates to promoting the mission of the University.</td>
</tr>
<tr>
<td>When</td>
<td>When will the goods or services be needed?</td>
<td>The transaction date will often identify the “when.” If not, include the date in the Line Description.</td>
</tr>
<tr>
<td>Where</td>
<td>Where will the goods or services be used or consumed?</td>
<td>The location where the expense was incurred or where the goods were used or consumed is often identified in the location field. When this is not the case, if other support does not indicate location, include it in the description, purpose, or justification field.</td>
</tr>
<tr>
<td>Why</td>
<td>Why are the goods or services needed?</td>
<td>The “why” is the most important piece of information to support a business need. This describes why the University is paying for the expense. This must explain why the expense supports the mission of the University.</td>
</tr>
</tbody>
</table>

**UW Mission**: As Wyoming’s university, we unlock the extraordinary in every person through education, research, innovation, engagement, and service.

**Reasons for Providing an Acceptable Business Purpose Description**

The University’s financial transaction documentation must consistently meet and comply with institutional, governmental, legal, and auditing requirements. Providing thorough and complete transaction justifications, supporting documentation, and review, protects and benefits the University in the following ways:

- Minimizes the risk of penalties and fines due to unsubstantiated business expenses.
- Ensures compliance with institutional, regulatory, legal, and auditing requirements.
- Establishes adequate and consistent documentation standards for all financial transactions.
- Provides an independent and efficient source for obtaining transactional information.
- Complies with tax regulations that specify requirements for nontaxable reimbursements under an accountable plan versus reimbursements taxable to employees.
- Minimizes the reputational risks and adverse public perception.

See the following table for examples of unacceptable business purposes and how verbiage may be improved to make them acceptable. Business purpose descriptions should avoid using acronyms, abbreviations, and other industry jargon that may not be known to reviewers and auditors.

**NOTE**: UW is engaged in the business of research and education, so describing the expense in that context is appropriate.
Unacceptable Version of Business Purpose | Acceptable Version of Detailed Business Purpose
---|---
Presented at conference | Dr. Pistol Pete presented a paper at the Exotic Animal Symposium to share research with colleagues.
Meal with colleagues | Dean Cowboy Joe had a business meal with John Q. Doe – guest speaker from Purdue University and Jane Q. Smith – Asst. Prof. U of I to discuss…
External hard drive | Portable USB Flash Drive needed for field research for Dr. Pistol Pete when away from the office.
Lunch with job candidate | Hiring Committee lunch with AVP candidate as part of the search committee’s 2-day interview process.
Research collaboration | Dr. Pistol Pete had various trips throughout South America to research rural irrigation systems to provide data for journal publications titled" Improving Rural Irrigation Systems.”
Conference | Dean Cowboy Joe attended the International Bio-medical conference to keep up on current trends and for professional development.
Membership | This membership will provide certification for a program that is required as part of Pistol Pete’s job description and necessary to complete research work. (Written documentation from a supervisor verifying this statement is also required to be attached.)

Roles and Responsibilities

Understanding all elements (the 5 W’s) of the business purpose helps reviewers and auditors to evaluate allowability and proper funding mechanisms.

Creator/Preparer/Owner

- Gathers and validates Who, What, When Where and Why
- Validates expenditure against UW policies and procedures as well as any applicable regulations.
- Gathers all necessary documentation that is relevant to the expense.
- Prepares the expenditure in the WyoCloud system, ensuring all necessary fields are completed.

Cost Center Approver

- Reviews business purpose, funding, budget, allowability, and compliance with university policies and other regulations.
- Reviews appropriateness of payment method (expense report, purchase requisition, non-PO invoice or IDT) and ensures the completeness of the expense report, purchase requisition, non-PO invoice or IDT and confirms all relevant documentation is attached.
- Approves or rejects transactions promptly.
- Reaches out to preparers/owners to gather additional information if there is a question about an expense (where applicable).
Finance: Procurement and Payment Services (expense reports, purchase requisitions, non-PO invoices) & Accounting (IDTs)

- Validates expenditure against UW policies and procedures and any applicable regulations.
- Reviews business purpose, funding, budget, and allowability and reviews the appropriateness of the payment method (expense report, purchase requisition, non-PO invoice, or IDT).
- Approves or rejects submitted expense reports promptly
- Reviews appropriateness of payment method (expense report, purchase requisition, non-PO invoice or IDT) and ensures the completeness of the expense report, purchase requisition, non-PO invoice or IDT and confirms all relevant documentation is attached.
- Reaches out to preparers/owners to gather additional information if there is a question about an expense (where applicable).
- Provides final approval after Cost Center Approver approval is complete.

High Dollar Transactions Approvers

- As per the “Approvals for Finance Transactions” DAPP, Section IV, B: High dollar transactions are defined as transactions $100,000 and above including requisitions, change orders, and invoices. All requisitions and invoices, regardless of dollar amount, are also all approved by the Cost Center Approver (and Project Managers, if applicable) before being routed through to the highest dollar levels of approval outlined below:

<table>
<thead>
<tr>
<th>Transaction Amount</th>
<th>Approval Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000.00 to $499,999.99</td>
<td>Dean/Associate Vice President of organization used in the chart string</td>
</tr>
<tr>
<td>$500,000.00 to $999,999.99</td>
<td>Vice President of organization used in the chart string</td>
</tr>
<tr>
<td>$1,000,000.00 to $1,999,999.99</td>
<td>President of the University</td>
</tr>
<tr>
<td>$2,000,000.00 and above</td>
<td>Board of Trustees (General Counsel or their designated delegate outlined in Section E for exceptions may approve transactions on behalf of the Trustees)</td>
</tr>
</tbody>
</table>

Responsible Division/Unit: Division of Budget and Finance
Created/Approved: July 19, 2024