Office of Sponsored Programs
Procedure 10003 Letter of Guarantee (LOG)
Revision Date: 04/05/2024

1. Introduction

Responsible Officials: Directors of Pre-Award, Contracts, and Senior Director of Post-Award as applicable
Effective Date: July1, 2019
Revision Date: April 5, 2024

IMPORTANT: For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, 2 CFR Part 215 (OMB Circular A-110) and 2 CFR, Part 220 (OMB Circular A-21) apply. For all new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, these new funds are subject to 2 CFR Part 200 (commonly referred to as Uniform Guidance— Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as "2 CFR Part 200").

Due to the change in federal regulations the language in this procedure specific to the new regulations, 2 CFR Part 200, is highlighted in red font below.

2. Scope

This procedure outlines the requirements necessary to activate a letter of guarantee for sponsored awards. The procedure applies to all university departments and offices that are involved in the administration or use of sponsored award funds.

3. Procedure Statement

The Office of Sponsored Programs (OSP) functions as the steward of Virginia Tech's research portfolio and is responsible for ensuring that all research proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. Funding agencies have delegated to awardee organizations increasingly expanded authority to approve certain administrative actions. These funding agencies require an awardee to assure that there are adequate institutional reviews and approvals of decisions affecting the management of federally sponsored awards. This procedure outlines the requirements for obtaining a sponsored award fund number before the award

process is completed and for incurring costs on a sponsored award prior to final execution of an award or modification.

4. Reason for the Procedure

The purpose of this procedure is to inform the community of the requirements associated with a Letter of Guarantee in order to ensure the university's compliance with the terms and conditions of a sponsored award. Under certain circumstances a Principal Investigator (PI) may need to order long-lead-time equipment, make offers for project staff, continue accruing expenses on an existing award, or perform other actions required to initiate a project prior to receipt or final execution of an assured sponsored award or modification. Rather than charging these expenditures to non-sponsored funds and processing cost transfers after the sponsored award has been officially accepted/modified, a Letter of Guarantee (LOG) may be available.

5. Definitions

Letter of Guarantee (LOG): serves as financial commitment from the department head/center director/dean's office requesting a LOG fund be established in advance of a pending award or pending transfer of an award from another institution. A LOG is established with the understanding that, should the award not be received or should the costs end up falling outside of the eventual award terms or performance period, the department will cover all unreimbursed expenditures from a fund source identified at the time the LOG is established.

Pending Award Period: 90-day period prior to receipt of a duly executed sponsored award. Within this period expenses associated with the unfunded, yet assured, sponsored award may be charged to a LOG fund. These expenses may include only 2 CFR Part 200 allowable expenses and must exclude any award specific prohibited expenses outlined in the executed award once funded.

6. Criteria to Use a LOG

A LOG may be used when **all** of the following criteria are met:
- A proposal for the funding has been submitted to the sponsor and funding is reasonably assured.
- The LOG request does not exceed $50,000 in direct costs.
- The start date of the proposal or modification has passed. A LOG cannot be set up to incur costs that occur before the start date of the agreement. If costs are incurred before the start date on the agreement, the sponsor will not reimburse the expenses. When a LOG is used to begin work on a project, OSP strongly suggests the PI work with the sponsor to determine the exact start date that the sponsor will use on the award. (Sponsors often use the date of last signature as the start date).
- The department (or center) agrees to cover any costs that are not reimbursed by the sponsor. This may be the entire amount of incurred costs if the agreement is never finalized.
- The department provides an unrestricted fund number (which may be an OSP residual fund) with sufficient available funds that will cover the costs that are not reimbursed by the sponsor. Any expenditure prior to the official execution of an agreement will not be reimbursed and requires that the department assume any and all costs not covered by the award.

- All compliance reviews and approvals are complete. For example, if human subjects are involved, an IRB (Institutional Review Board) approval must be in the OSP file or if export restrictions apply, the Office of Export and Secure Research Compliance (OESRC) must have completed their review.
- The LOG should be set up for an amount that is reasonable for 90 days' worth of expenditures on the agreement and for a 90-day period of performance.
- In special circumstances, the Associate Vice President for Research and Innovation, Sponsored Programs may approve setting up a LOG that exceeds direct cost budget of $50,000 or is greater than 90 days. Separate documentation between the PI/department and the Associate Vice President for Research and Innovation, Sponsored Programs is required for this.

7. Requesting a LOG from OSP

To initiate a LOG to create a new fund, visit Summit Agreements to create a draft to submit to OSP. Please see the user guide, or direct additional questions you may have to mailto:ospcontracts@vt.edu.

To initiate a Letter of Guarantee for an existing fund, visit Summit Agreements and select Award Change Request (ACR) to create a draft to submit to OSP. Use the "Other" Change Request type. Please see the user guide, or direct additional questions you may have to the Post-Award Grant Manager.

The request must include the following:
- Proposal number,
- PI name,
- Sponsor Name,
- Estimated direct cost budget amount and associated F&A,
- LOG period (start and end dates),
- Banner fund number guaranteeing the expenditures, and
- Authorization of department head, center director or authorized designee.

Depending on the award status, an OSP associate will handle the LOG request. LOG direct cost budget will be set up using the budget only account code of 199 (Letter of Guarantee Budget). F&A will be added to the F&A budget. Associates are grouped by sponsor agency or service to university organization. If unsure which associate to use, please contact (540) 231-5281 for assistance or use the OSP fund & funded proposal tool to retrieve the associate for your award:
- If the award has **not** yet been received, the LOG request should be sent to the Pre-Award Associate (PRA).
- If the award **has** been received, the LOG request should be sent to the Contracts Associate (CA) negotiating the award.
- If the award is already **established**—in the second or subsequent year of funding—the LOG request should be sent to the Post-Award Associate (POA).

8. Establishing a LOG fund

- **LOGs with No Award**—When a LOG request is made on a proposal before an official award notice has been received by OSP, the PRA (Pre-Award Associate) takes responsibility to review the request for the LOG amount and will provide the LOG to the Post Award Associate (POA) to set up the LOG fund. When an award is received, the PRA or the CA (Contract Associate) will take responsibility to find the LOG and will provide the executed agreement to the POA for the award set up and to take the necessary actions to ensure the LOG budget reversal is processed correctly.

- **LOGs with Award in Negotiation**—When a LOG request is made after the award has been received by OSP but is still in negotiation, then the CA takes responsibility to review the request. When the award is finalized, the CA will take responsibility to find the LOG and provide the executed agreement to the POA for the award set up and take the necessary actions to ensure the LOG budget reversal is processed correctly.

- **LOGs on Current Awards**—When a LOG request is made after an award is already set-up this usually occurs in subsequent years of the award. It is typically in anticipation of a modification to add funding and/or time to an existing award. These requests are processed by the POA (Post-Award Associate) who may consult with the PRA or CA regarding the anticipated award modifications. When the award is finalized, the POA will take responsibility to find the LOG and take the necessary actions to set up of the additional award amount and LOG budget reversal are processed correctly.

9. References

- [2 CFR Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- *Internal Agreements Tracking Process Manual*

10. Contacts

- **Director of Pre-Award**
  Office of Sponsored Programs
  North End Center, Suite 4200
  300 Turner Street NW
  Blacksburg, VA 24061
  540.231.8054

- **Director of Contracts**
  540.231.8897

- **Senior Director of Post Award**
  540.231.9372

- **Associate Vice President for Research and Innovation, Sponsored Programs**
  540.231.5281

11. Roles and Responsibilities

- **Principal Investigators (PIs):**
  - Obtain necessary departmental (or center) approvals to obtain a LOG.
  - Assist as needed with the timely negotiation/execution of the award or modification.
  - Ensure LOG activity is within the award's period of performance and all the LOG criteria are met.
  - Notify the appropriate OSP associate promptly should difficulties arise with the award.

- **Department Administrator/Business Support Center:**
  - Assist PI in obtaining necessary departmental (or center) approvals for a LOG
  - Notify the appropriate OSP associate promptly should difficulties arise with the award.

- **Office of Sponsored Programs**
  - Establish necessary LOG funds as appropriate.
  - As needed, assist the PI and/or department (or center) with the LOG process.
  - Provide additional assurance that LOG activity is within the award's period of performance and all the LOG criteria are met.
  - After the award is received, take responsibility to find the LOG, set up for the award and take the necessary actions to ensure the award and LOG budget reversal are processed correctly.

12. Dissemination

This procedure may be posted on a Virginia Tech internet accessible site. No public restrictions are noted.

13. Approval and Revisions

This procedure was approved on August 04, 2014 by the Assistant Vice President for OSP Administration.

Revision approved March 15, 2016 by Assistant Vice President for Sponsored Programs. This major revision updates the formatting of the procedure, brings the procedure into compliance with 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and other minor edits for title changes and clarity.

Revision approved June 30th, 2019, by the Associate Vice President for Research and Innovation, Sponsored Programs, to remove the requirement of submission of a detailed budget when requesting a LOG and to make administrative revisions.

Revision approved April 5, 2024 by the Associate Vice President for Research and Innovation, Sponsored Programs to update language concerning initiating a LOG, residual funds, and OSP logo.