



**Department of Psychiatry &
Biobehavioral Sciences**

ORGANIZATION:	UCLA, Department of Psychiatry
SOP TITLE:	Clinical Revenue Overhead Tax (CROT) Standard Operating Procedure
SOP VERSION:	1.02

SOP Owner: Director of Finance

Approved by: CAO

Effective Date: 10/1/26

Last Reviewed: 10/1/26

Next Review: 9/30/27

Clinical Revenue Overhead Tax (CROT) Standard Operating Procedure

1. Purpose

The purpose of this Standard Operating Procedure (SOP) is to establish standardized procedures and internal controls for the budgeting, monitoring, and application, reconciliation, and reporting of the Department of Psychiatry and Biobehavioral Sciences Clinical Revenue Overhead Tax (CROT). These procedures are intended to promote financial accountability, appropriate use of CROT funds, consistent application, and adequate documentation and oversight.

2. Scope

This SOP applies to all activities related to CROT, including the establishment and application of approved rates, annual budgeting, allocation and expenditure, monthly financial monitoring and reconciliation, and management reporting.

This SOP applies to all clinical faculty, divisions, programs, and administrative personnel involved in the calculation, approval, management, or use of CROT funds.



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3. Policy

CROT funds will be managed in accordance with applicable UCLA Health and David Geffen School of Medicine (DGSOM) financial policies, the Department's approved Health Sciences Compensation Plan By-Laws and UCLA Financial Policy, [Principles of Financial Accountability](#), III. Responsibilities, Section 2: Preparing and Reviewing Budgetary and Financial Transactions will ensure maintaining and securing an effective accountability structure as well as ensure both preparer and reviewers in each budgetary or financial transaction.

4. Definitions

Clinical Revenue Overhead Tax (CROT): A departmental assessment applied to eligible clinical revenue in accordance with rates established under the Department of Psychiatry and Biobehavioral Sciences Health Sciences Compensation Plan By-Laws.

CROT Budget: the annual budget identifying projected CROT revenue, approved allocations, anticipated expenditures, and projected fund balance.

Clinical Finance Group: the departmental leadership group responsible for oversight of the CROT budget and approval of allocations as described in this SOP.

5. Roles and Responsibilities

Director of Finance or Approved Designee: Serves as the operational owner of the CROT process and is responsible for maintaining the annual CROT budget, overseeing CROT calculations, financial monitoring, reconciliations, reviewing budget-to-actual



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performance, ensuring identified discrepancies are corrected, maintaining appropriate supporting documentation, and reporting CROT financial performance to Department leadership. Maintains the Clinical Overhead budget and expense monitoring.

Finance Staff: prepare CROT calculations, monthly reconciliations, budget-to-actual reports, journal entries or financial corrections, and supporting documentation under the oversight of the Director of Finance or approved designee.

Clinical Finance Group: An internal committee of Psychiatry Leadership who is responsible for approving CROT allocations and budgetary oversight. Members include the Division Directors, Chairs, Vice Chairs, Clinical Directors, CAO, Director of Finance, and other approved members).

Chief Administrative Officer (CAO): Provides administrative oversight of the CROT process and reviews material financial issues, exceptions, or unresolved discrepancies as appropriate.

Board of Directors: Oversees the Department's Health Sciences Compensation Plan By-Laws and approves Clinical Overhead rates. Any required changes to the By-Laws require a Board vote for approval in accordance with the By-Laws.

6. Operations

Rates

CROT rates will be established and approved in accordance with the Department's Health Sciences Compensation Plan By-Laws. The Director of Finance or approved designee will verify the applicable CROT rates against the current approved By-Laws at least annually and whenever a rate change is approved.



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Any approved change in CROT rates will be documented, communicated to affected stakeholders, and implemented based upon the approved effective date.

Documentation supporting the applicable rate will be retained with the CROT financial records.

7. CROT Calculation and Application

CROT will be calculated using applicable clinical revenue and the CROT rates approved under the Department's Health Sciences Compensation Plan By-Laws. Finance staff will prepare the CROT calculation using the established revenue source and applicable rate(s). The calculation package must identify the reporting period, data source, rate used, formula or methodology, preparer, and date prepared. The calculation will be reviewed by the Director of Finance or approved designee for accuracy and consistency with approved rates prior to or as part of the monthly reconciliation process. Any adjustments, corrections, or exceptions identified during review will be documented, resolved in a timely manner, and tracked through resolution.

8. Budget Allocations

An annual CROT budget will be developed by the Director of Finance or approved designee in accordance with the DGSOM annual budget cycle. The budget will include projected CROT revenue, planned allocations and expenditures, and anticipated fund balance.

The annual CROT budget will be reviewed and approved by the Clinical Finance Group. (unless designated otherwise). New allocation requests will be presented to the Group as requested. Any condition, or exception must be retained with the approval record.



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9. Expense Monitoring

Expenses will be monitored monthly to ensure correct FAU is being used, with needed corrections made accordingly. Current FAU: 461299-6X-62190.

Variances, miscoded expenses, unsupported charges, or expenditures exceeding an approved allocation must be documented, researched, and corrected or escalated. CROT-related journal entries and corrections must be prepared and approved by different individuals, include supporting documentation and a clear business purpose, and be traceable to the applicable reconciliation.

10. Reporting & Review

Monthly reports will be maintained for daily operation and monitoring. At a minimum, reporting will include budget-to-actual results, current-period and year-to-date CROT activity, available fund balance, approved commitments, open exceptions, corrective actions, and unresolved reconciling items.

The overall budget and current status will be reviewed with the Clinical Finance Group at minimum on a bi-annual basis. Evidence of review must be retained and include the materials presented, meeting date, attendees, decisions, approvals, required corrective actions, responsible owner, and expected completion date.



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The Clinical Overhead Budget will be created and approved annually in accordance with the DGSOM Budget Cycle. Director of Finance will perform a year-end reconciliation of CROT revenue, allocations, expenditures, corrections, commitments, and fund balance. The year-end reconciliation evidence of approval will be retained.

11. Documentation and Record Retention

Documentation supporting the administration and oversight of CROT will be maintained in accordance with applicable UCLA records-retention requirements. Documentation must include, as applicable: approved CROT rates and applicable By-Laws; annual CROT budgets and approvals; source data; monthly calculations and reconciliations; budget-to-actual reports; journal entries and corrections; allocation requests and approvals; rate-change testing; the exception log and evidence of resolution; Clinical Finance Group materials and decisions; and other evidence of management review. Records must be sufficiently detailed to permit an independent reviewer to reperform the calculation and trace amounts from source data through the general ledger and management reports.

Documentation will be maintained in designated shared folders accessible to authorized Finance and Department leadership.

12. SOP Review

This SOP will be reviewed at least annually by the Director of Finance and CAO and updated as necessary to reflect changes in departmental operations, Compensation Plan By-Laws, financial systems, or applicable UCLA/DGSOM requirements.