

How to Write an Effective Corrective Action Plan

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Your entity is near the end of the audit process, and you can see the light at the end of the tunnel. Unfortunately, there is one roadblock—the entity received a significant deficiency or material weakness finding in the report and you now need to write a corrective action plan. What should you write?

Corrective action plans serve as a blueprint for resolving issues within the entity’s processes. They should include details about the entity’s plan to correct issues identified during the audit. It can quickly become overwhelming to identify a way to resolve an issue and create a corrective action plan, so it is best to be “SMART” about it.

In 1981, George T. Doran wrote a paper titled, “There’s a Smart Way to Write Management’s Goals and Objectives.” In this paper, Doran used the acronym “SMART” to create an effective outline for various goals. This acronym is a valuable tool to keep in mind when creating a corrective action plan:

Specific

A corrective action plan should be specific, not vague. It is critical to fully read and understand the deficiency noted. Ask your auditor clarifying questions or reach out to the employees involved if needed. From there, you will want to map out a detailed plan by using steps. List who will be involved, what steps will be taken, and test out the new plan to ensure it resolves noted issues. After you have completed these items, reread the deficiency while comparing it to your corrective action to confirm your plan resolves the entire deficiency. You may also decide it is best to test a sample of items within the new process to ensure it eliminates the deficiency. While it may initially be time-consuming, ensuring the corrective action plan is effective will help lower the risk of reoccurrence.

Measurable: Identify a measure of progress and include that indicator within your corrective action plan. For example, if suspension and debarment weren’t completed for grant expenditures, making a checklist that includes suspension and debarment would indicate

progress — if the task is signed off on, then it was likely completed. Creating a new process in the control structure is also a great example of something to include in the plan.

Assignable

List who will be responsible for the process resolving the issue. In most cases, there will be multiple people involved. For instance, if there was a deficiency reported about the controls over recording transactions in the correct year, there may be an individual responsible for entering the information into the financial system, and an additional person within the Finance Department responsible for reviewing the transactions to ensure they were entered properly. Remember that this is not about assigning blame but about looking forward to the individuals that will be involved. Another key point to remember is that specific names of individuals should be avoided in the corrective action plan except for the overall contact person; use the individual's job title instead.

Realistic

Create a plan that can realistically happen with the resources available. Sometimes there are staffing shortages or limits within the organization, and you will want to take these challenges into account when making the corrective action plan, rather than making a plan in a “perfect world.”

Time-related

Be honest about when the deficiency will be resolved. Some deficiencies take time to be resolved, especially if an individual needs additional training or additional resources are being obtained to correct the issue. However, keep in mind that oversight agencies want specific dates.

Creating an effective corrective action plan is an art. Using the “SMART” method is a way to help make the process more understandable and eliminate the risk of reoccurrence. Creating an effective action plan will not only help you complete the audit process, but it will serve as a roadmap to more robust processes and procedures.

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