

## R&D AUDIT PACKET FILE SETUP AND CHECKLISTS

A well-structured and comprehensive R&D file ensures your claims get approved and **you remain audit-ready**.

Use this guide to build a solid folder structure and develop habits around adding the right files on a regular basis. It's adaptable to any industry and R&D teams of all sizes.

Inside, you'll find:

1. A compliant folder structure for R&D documentation
2. A monthly R&D documentation checklist
3. A quarterly R&D documentation checklist
4. Best practices for R&D file naming conventions

## R&D Documentation Folder Structure

This structure is by no means definitive, but it serves as a good framework for what you must include. Feel free to tailor it so it works for your organization:

### **Master folder:** R&D Tax Credit

- 00\_README
  - How to use this folder
  - Monthly checklist
  - Quarterly checklist
- 01\_Admin
  - R&D project list <YEAR>
  - Org chart
  - Employee roster
  - Allocation methodology
- 02\_Project Documentation
  - Archived projects
  - YYYY\_MM\_<PROJECT NAME>
    - Project narrative
      - Objectives
      - Uncertainties
      - Experimentation
    - Nexus map
    - Technical documents
      - Designs
      - Specs

- Architecture diagrams
  - Change logs
- Experimental evidence
  - Test plans
  - Results
  - Logs
  - Prototypes photos
  - Failures
- Correspondence
  - Meeting minutes
  - Emails
  - Chat threads
  - Tickets
- Reports

- 03\_Payroll and Time
  - YYYY\_MM
    - Payroll register
    - Timesheet reports
    - Reconciliations
      - General ledger vs payroll summaries
      - FICA employer
- 04\_Contractors and Third-Parties
  - Vendor schedule
  - YYYY\_MM
    - Contract summary table
    - Monthly general ledger contractor accounts report
    - Master service agreements
    - Invoices and payment records
    - Statements of work
- 05\_Supplies and materials
  - Allocation log
  - YYYY\_MM
    - Monthly general ledger account export
    - Invoices and receipts
- 06\_Accounting and Financial Reports
  - YYYY\_Tax Credit Filing
    - Filed federal returns
    - Form 6765
    - Line calculations
    - State-specific R&D forms
  - YYYY\_Reconciliation
    - Accounting R&D nexus
    - QRE summary
    - Cost allocation methods
    - Trial balances

- General ledger
- Cost reconciliation
- 07\_Governance and Processes
  - Board and committee minutes
  - Budget and project authorizations
  - R&D policies
  - Methodology documents
  - Internal audit documents
  - Staff R&D training materials
- 08\_Quarterly Summaries
  - YYYY
    - Q1 summary
    - Q2 summary
    - Q3 summary
- 09\_Audit Specific
  - YYYY\_MM\_<AUDIT TITLE>
    - IRS responses
    - Audit prep methodology
    - Third-party advisor documents
    - Check sheets and lists

## R&D Documentation: Monthly Checklist

Here's your **comprehensive checklist** to ensure you have all the right documentation for R&D and that everything is up-to-date month to month.

### 1. Governance and project tracking

Review the list of active R&D projects and business components:

- Check that the list is up to date
- Close completed projects
- Add new projects
- Record key project milestones

Projects with significant activity: Export:

- Descriptions
- Objectives
- Technical uncertainties
- Expected outcomes

For each active project, export documentation for:

- Design
- Specifications
- Requirements
- Architecture diagrams
- Change logs

Download and save the following if they relate to R&D project technical discussions:

- Emails
- Meeting minutes
- Slack or other discussion threads
- Support tickets

## 2. Payroll and time tracking

- Reconcile payroll registers with HR/general ledger for the month
- Export a payroll summary by employee, showing gross wages and payroll taxes
- Export and save time tracking reports
- Maintain roster for who's working on R&D projects and their roles
- Confirm that any changes in role, location, or employment status are reflected in payroll and R&D project data

## 3. Supplies, materials, and direct costs

- Export a general ledger detail report for all R&D-related accounts for the month
- Download and file invoices, purchase orders, and receipts for R&D supply purchases
- Update the R&D supplies log with supplies consumed and expenses for the month
- Export cost allocation and usage reports for cloud hosting and software used for R&D

## 4. Contractor and third-party services

- Export general ledger detail for contractor and professional services accounts used for R&D
- Download and file fully executed contracts started or modified in the month
- Save related invoices and payment confirmations
- Update contract schedule
- For individuals paid on 1099, capture information for Form 1099-NEC and link work to specific R&D projects

## 5. Technical evidence and experimentation

Export the following documents created in the month, and link to the relevant business component:

- Experimental logs
- Test plans
- Test results
- Defect/bug reports

Save new versions of:

- Code repositories
- CAD files
- Simulation models
- Lab notes

- Document examples of how key uncertainties were identified and addressed for each project

- Check and maintain version control for documentation

## 6. Monthly reconciliation

- Reconcile the R&D cost schedule for the year to date
- Review the month's documentation for any gaps (missing files, etc.)
- Update internal R&D credit tracking file
- Note any structural changes that affect credit computation (entity changes, acquisitions, etc.)

# R&D Documentation: Quarterly Checklist

These activities don't need to happen every month, but should be performed on a **quarterly or semi-annual basis** (we recommend quarterly so you don't end up playing catch-up):

## 1. Project status review

- Review and update the active R&D project list and close any completed projects in the quarter
- Prepare or update detailed project narratives that map activities to the four-part test
- Conduct a completeness review for every project and confirm that supporting technical records exist

## 2. Financial reconciliations

- Run a quarter-to-date R&D cost schedule and compare with general ledger reports for variances
- Validate payroll tax reconciliations
- Reconcile supplies and contractor costs

## 3. Documentation audit trail

- Sample around 25% of quarterly costs and ensure each dollar is traced back to a specific employee/contractor, project, and technical activity record
- Export and file any outstanding contemporaneous records that show technical discussions
- For contract research: Verify all statements of work confirm US-based work and update the vendor schedule with qualified portions

## 4. Methodology validation

- Document and sign off on allocation methods used for the quarter (time surveys, supply usage percentages, etc.)
- Check fixed-base percentage inputs (if applicable)
- For any software projects, confirm internal-use projects meet the high innovation threshold, or mark them for exclusion

## 5. Compliance and risk check

- Perform a mini, mock audit on 2-3 projects to check for documentation completeness

Update the following to reflect any quarterly changes:

- Organization charts
- Employee rosters
- Chart of accounts

## R&D File Naming Conventions: Best Practices

Having a good folder structure is one thing, but it won't help if your files don't have a **consistent naming method**.

If there are no rules surrounding file names, then it's impossible to keep track of documentation, find the right file, or satisfy auditors.

Create a solid naming convention and **apply it across the whole organization**.

### Why naming R&D files correctly matters

Correctly naming your R&D files serves three main purposes:

1. Proves when the evidence was created
2. Shows which project and/or activity the file relates to
3. Allows a viewer to trace files without necessarily opening them

As such, each filename must address the following *without* opening it:

- When it was created
- The project or activity it supports
- The type of evidence contained
- Which version it is

### The recommended filename format for R&D

The optimum structure for an R&D filename is chronological and grouped logically, like this:

- **YYYY\_MM\_DD\_ProjectName\_DocumentType\_Descriptor\_V#**

So, a working example might look like this:

- 2026\_01\_15\_API\_Optimization\_TestResults\_LoadTesting\_V1.xlsx

### What an R&D filename must include

All of these elements combined create a clear and readable filename. However, it's not just about *what* you include; it's *how* you write each element.

Make sure each element is written in a way that it cannot be misinterpreted or mistaken for something else.

**YYY\_MM\_DD:**

- The date must reflect the time at which the file was created and saved to the folder
- Auditors want contemporaneous documentation, and this demonstrates it
- A clear date format also makes it easier to sort the files

**Project name:**

- Use the same project name consistently across all file types
- Avoid internal nicknames and abbreviations
- Don't rename projects mid-way through

**Document type:**

- Use clear and straightforward terms
- Good examples: ProjectSummary, DesignDraft, TimeExport, MeetingNotes
- Bad examples: Notes, Stuff, Important, DevWork
- **Descriptor:**
  - Should explain *why* the document exists
  - Good examples: LoadTesting, FailureAnalysis, AlgorithmComparison
  - Bad examples: Final, Misc, Updated

**Version control:**

- Use a format like V1, V2, etc.
- Subsequent revisions should increment the previous version
- Never overwrite files with the same name
- Never use *Final* as a version name; it's usually not the final document, even if you think it is at the time

## Other R&D filename best practices

To keep your R&D files **clean and audit-friendly**, make sure you apply the following best practices:

- Use one consistent naming convention across *all* departments.
- Document the naming convention once in a short SOP or README and treat it as mandatory, not guidance.
- Use underscores consistently and avoid spaces or special characters to avoid export issues.
- Create and save files as work happens, not after the fact (necessary for contemporaneous recordkeeping).
- Store files in the appropriate folder in the approved R&D folder structure. Do *not* create a new folder.
- Avoid personal names in filenames unless they add necessary context
- Assign ownership for monthly uploads and enforce completion as part of the month-end close.

- Periodically spot-check filenames during monthly or quarterly reviews to catch and correct anomalies.
- Treat filenames as part of the audit trail. Renaming files after year-end should be avoided unless correcting a clear error, and any corrections should be documented.