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 processional 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 arond 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.