Hi Team,

Greetings! Pardon that this is rather long, but please read on if you have a Zoho credit card and/or you regularly submit expense reports.

In response to ongoing and evolving guidance from Zoho's external auditors, the US offices have been asked to update our expense policies, and we'd like to start that process now. These policies will go into effect on 01/01/2022; the time between now and then is a grace period if you have any issues you need to sort out. For most everyone, this will be easy, but for a few employees, the situation is complicated and will take some time to iron out.

If you have any questions about what's discussed below, don't hesitate to contact me; I'm more than happy go into more detail about all these policies or the audit processes.

Best,
Christian

Background

While US team members are familiar with our ISO and SOC2 audits, Zoho also participates in a host of other audits that are rarely visible to most employees. These pertain largely to the company's accounting and tax reporting practices. With 10,000+ worldwide employees and hundreds of million in revenue, you can imagine how complicated our books are.

Zoho's finance and accounting teams have recently completed a months-long, top-to-bottom review of most everything pertaining to money within the organization: payroll, billing, accounts payable, credit cards, 401k program, etc. It's been intense, but the good news is that Zoho's accounting practices are quite sound, and the finance teams in Chennai should be commended for their excellent work.

Immediate Issues

Insofar as all audits are opportunities, our auditors have identified a few key areas for immediate attention, and top of their list are credit card and expense practices in the US offices.

I - Guiding Principles

For context, it's helpful to bear in mind a few accounting guidelines that are the inspiration for updating our policies:

(1) ACH (Automatic Clearing House) over credit cards
For individuals, credit cards are often preferable to cash; they're secure and offer

significant consumer protections. For large companies, the opposite is true. The reasoning is simple: from the point of view of an accountant, ACH transfers are immediate and always traceable. However, anything put on a credit card is not only delayed (by the billing cycle) but also difficult to trace (since all purchases are essentially indirect, as they are mediated through the credit card company), and also fundamentally un-accountable while in process.

(2) Corporate cards are for travel
As an accountant sees it, the majority of individual contributor employees don't need corporate cards unless they travel for work. Most non-travel expenses can be handled by someone else in the office who has a card. To make sure that people are able to pay for things, managers should use their cards for team expenses, and I am available to help if a manager isn't.

(3) Tax repercussions
There are significant tax issues for Zoho underlying our expense management, adding to the urgency. In simplest terms, monies that are tied up in a credit card process delay Zoho's quarterly tax filings in both the US and India, and in the past, unresolved credit card issues in the US have caused issues for all of Zoho.

II - New Policies

Bearing those principles in mind, and on the advice of our auditors, we are updating our expense policies:

(1) Decommissioning inactive employee credit cards
If you have a Zoho credit card you're not using, and you don't anticipate you'll be using it for travel, consider decommissioning it. The company still needs to pay an annual fee for each credit card, and those add up. Moreover, each and every Zoho credit card is considered a potential risk for data and/or financial fraud. Please contact me if you have a corporate card you don't use for travel. But of course there's no need to rush to surrender a card if you expect to be traveling once regular travel resumes.

(2) Transitioning from credit card payments to ACH payments whenever possible
As mentioned above, ACH is preferable to credit cards. Of course, ACH isn't possible for all expenditures, and for some teams, it makes sense to keep a card. But we should all start to shift payments to ACH whenever possible. I am available to help you with this.

(3) Limiting all use of personal credit cards
By far the biggest issue that the auditors found with the US offices is the widespread use of personal credit cards for company expenses, and for the auditors, this situation is urgent.

The problem isn't anxiety about employees getting too many airline points or something like that. Rather, personal cards are a sort of black hole for Zoho's accounting. It's basically impossible (and should be) for Zoho to audit an individual employee's financial records, and consequently, Zoho's accountants and auditors must take on faith that the expenses put on a personal card are legitimate. Although expenses on a personal card are *eventually* verified and approved, there's an inherent lag in that process, and for Zoho's accounting efforts, any sort of lag is a problem.

Day to day, we have tremendous trust in one another, but in the context of audits and accounting, collegial trust isn't an accounting standard; everything must be documented and auditable.

Hence—and this comes from the top—Zoho will cease reimbursing expenses put on personal cards that could be paid by corporate card or ACH on January 1, 2022.

If you only use your card once in a while, a personal card is fine. However, if you regularly submit expense reports, please shift everything to a company credit card.

Of course there are exceptions, especially because many places don't take AMEX, and consequently we expect the transition process to take some time. Please speak with Christian Blood (blood@zohocorp.com) if you have questions or concerns about these changes.