

OFFICE OF
GENERAL COUNSEL

February 27, 2019

Office of the General Counsel
Federal Election Commission
1050 First Street, NE
Washington, DC 20463

2019 MAR 4 AM 8: 57

MUR # 7574

RE: Complaint against Greg Gandrud, Treasurer-Elect of the California Republican Party

Dear Sir or Madam,

Please find the enclosed Complaint against Greg Gandrud, Treasurer-Elect of the California Republican Party.

The Complaint provides evidence and description of Mr. Gandrud's misappropriation and commingling of Santa Barbara County Republican Party (SBGOP) funds, and the intentional misclassification of expenses on FEC Reports while he served as Chairman and Vice Chairman of the Committee.

Also, please find evidence that Mr. Gandrud accepted SBGOP funds to business bank accounts to avail himself of illegal employee tax deductions for his sole proprietorship, Gandrud Financial Services, Corporation located in Carpinteria, California.

SBGOP Treasurer, Ronald Hurd was aware of Mr. Gandrud's acceptance of SBGOP funds but did not report to other committee members.

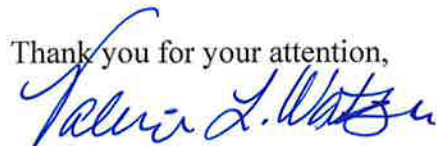
Chair Dale Francisco hired Political Finance Solutions mid-2016 and on their advice ceased any future funds to Mr. Gandrud's accounts.

Mr. Gandrud served as the Treasurer of the SBGOP from 2002-2008. Gandrud Financial Services, Corp. is a bookkeeping and tax preparation firm which provide him of knowledge of proper accounting and reporting rules.

Enclosed is an original Complaint document with a signed page and a California Jurat with Affiant Statement signed by Susan Cervantes, California Notary. A complete copy of the full original is also enclosed.

I am available for questions.

Thank you for your attention,



Valerie L. Watson

February 27, 2019

To: Federal Elections Commission

RE: Santa Barbara County Republican Party / Gregory Gandrud

- **FEC Internal Controls Guidelines knowingly disregarded**
- **Misappropriation of Political Committee Funds; Conflict of interest**
- **Committee funds illegally received / commingled w/ Officer's private business**
- **Political Committee expenses disguised for improper use, Officer intentionally takes illegal tax deductions for Political Committee employees**
- **Misclassification of Expenditures on FEC and CA FPPC Filings**

Complainant:

Valerie Watson

Santa Barbara, CA 93105

Respondents:

- 1.) Santa Barbara County Republican Party ("SBGOP")
Federal Acct. C00174334
California FPPC ID 742537
- 2.) Gandrud Financial Services, Inc. ("GFS")
Gregory Gandrud, sole proprietor, former Chairman and Treasurer, SBGOP

Mailing address for both Gandrud Financial Services & SBGOP:

1180 Eugenia Pl, Ste 220

Carpinteria, CA 93013

Office: (805) 566-1475

Mobile:

- 3.) Jessica Patterson, Chair of California Republican Party ("CAGOP")
1001 K St, Sacramento, CA 95814
Office: (916) 448-9496

- 4.) Ronald Hurd, Treasurer, SBGOP
1339 Vallecito Road
Carpinteria, CA 93013
Home: ;
Mobile:

Abbreviations used in this document:

“SBGOP”: Santa Barbara County [California] Republican Party,
California FPPC ID 742537
Federal Acct C00174334

Website: <https://www.santabarbaragop.org/central-committee.html>

Address: 1180 Eugenia Pl, Ste 220, Carpinteria, CA 93013

“CAGOP”: California Republican Party
1001 K St, Sacramento, CA 95814

“Gandrud”: Gregory Gandrud

Treasurer, CAGOP, Elected February 24, 2019 (won by 2 votes at Convention)

SBGOP officer from 2002 to 2016:

Treasurer - 2002- 2008,

Chairman - 2009-2015,

2nd Vice Chairman - 2015-2016

CAGOP Committee Member – various positions 2002-Current.

“GFS”: Gandrud Financial Services, Inc.– Tax Preparation and bookkeeping firm, sole proprietorship owned by Greg Gandrud

Address: 1180 Eugenia Pl, Ste 220, Carpinteria, CA 93013

“Hurd”: Ronald Hurd, SBGOP Treasurer, 2011 to current. FEC, FPPC filings and expenses approved by Gandrud, former Chair and Treasurer

“E.D.”: Executive Director, the only employee of the SBGOP
(Typically, E.D.’s served a one-year term)

“PFS”: Political Finance Solutions, Inc.
Campaign finance and compliance firm for SBGOP and CAGOP.

Website: <http://www.politicalfinancesolutions.com>

Narrative

Gandrud was Treasurer of the SBGOP from 2002 to 2008, Chairman of the SBGOP from 2009 to 2015, and 2nd Vice Chairman from 2015 to 2016. He remains a committee member.

Gandrud is now the Treasurer of the California Republican Party.

At the beginning of Gandrud's tenure as Chairman in 2009, the SBGOP Treasurer was Debra Thompson. Ms. Thompson filed accurate FEC / FPPC reports. Disbursements were paid directly to SBGOP E.D. employees for salary and expenses, and payments were made directly from the SBGOP to the IRS for E.D. payroll taxes. Thompson calculated payroll taxes and withholding for the one employee without difficulty. Likewise, payments to SBGOP vendors were made directly to vendors.

In 2011, Thompson resigned as Treasurer and Chairman Gandrud selected Ron Hurd to serve as SBGOP Treasurer. Hurd had no previous finance experience. He is a neighbor and friend of Gandrud.

At the same time, Gandrud changed the SBGOP mailing address. SBGOP mail had been delivered to a post office box accessible by several officers. Gandrud directed all SBGOP mail be sent to his business, GFS. SBGOP correspondence was received only by Gandrud.

Also beginning in 2011, virtually all SBGOP expense disbursements were routed through Gandrud's sole-proprietorship, GFS, instead of payments being made directly to employees and vendors as previously done. Under Treasurer Hurd, more than \$110,000 of SBGOP funds went to GFS from 2011 to 2016.

Concealment of transactions: There was never an agreement between the SBGOP and GFS authorizing GFS to receive SBGOP funds. No other person on the SBGOP's Executive Committee or Central Committee was aware of the sizable payments made directly to GFS. Hurd's monthly "treasurer's report" to the committee consisted of only the current checking account balance. All SBGOP financial information was received by Gandrud, and he selected the information he shared with Hurd.

FEC / FPPC internal controls guidelines not followed: Gandrud had complete control over all SBGOP financial transactions. The SBGOP mailing address was Gandrud's business address. Bank statements, FEC and FPPC inquiries were received by Gandrud. All checks were signed by either Gandrud or Hurd on Gandrud's approval. Treasurer reports did not provide insight into the actual processes or nature of SBGOP financial transactions.

Gandrud created this process that allowed him to commit violations over several years.

Misappropriation of funds: Funds received by contributions to SBGOP political committee allowed the SBGOP to incur payables. Gandrud routed all SBGOP payments (payables) through his firm knowing that this was a misappropriation of SBGOP funds.

Gandrud was knowledgeable of FEC, FPPC, IRS and CAGOP bylaws requiring financial disclosure and transparency. He was also aware of conflict of interest rules. Each of these regulatory/governing organizations has guidelines prohibiting Officers having a financial stake in a political 527 tax-exempt organization.

Fraudulent tax deductions: Between 2011 and 2016, Gandrud and GFS took fraudulent employee tax deductions for SBGOP salary payments for E.D. employees. GFS issued W2s using GFS's EIN to SBGOP employees between 2011 and 2016. Though Gandrud later claimed that GFS was an "employer of record"

for SBGOP E.D. employees, none of the IRS required forms or employment contracts were in place to legally allow an Employer of Record, "EOR" relationship.

Documents Required by Law to perform as the Employer of Record, or 'EOR'

Gandrud claimed that GFS was the EOR but GFS has none of the following requirements:

- IRS Form 2678 (IRS form authorizing agent to act as employer for third-party payments)
- IRS Form 8566 Reporting Agent (IRS form allowing third party to use clients EIN to file taxes)
- Federal Unemployment Tax Form 940 (never filed by SBGOP)
- Certified Professional Employment Organization (CPEO) professional certification for GFS
- Contract for service agreement between GFS and SBGOP as a
- Contract between GFS and each of the SBGOP E.D. employees as required by law.
- Benefits provided to the SBGOP employees through GFS
- Insurance coverage specific to CPEO organizations
- Professional license to practice as a CPEO

None of the IRS authorizations, professional certifications, required insurance coverages or contractual agreements ever existed. Gandrud was directing the SBGOP Political Committee funds to his personal business to take illegal employee tax deductions.

Gandrud issued payment to his business, GFS, for administrative fees for issuing direct deposit to SBGOP employees. These payments far exceed cost to GFS for fees and were not reported to the SBGOP. Gandrud, as GFS, did not file a tax returns or 940's FUTA's for the SBGOP.

Misclassification of expenditures in FEC / FPPC filings:

SBGOP payments to GFS were described as 'Fundraising' in FEC / FPPC filings 2015-2016. GFS did not provide fundraising or any other revenue generating service to the SBGOP.

FEC / FPPC violations exposed – Conflict of Interest, misuse of Committee funds, Commingling SBGOP Committee Funds with GFS business bank accounts

In March 2015, Dale Francisco became SBGOP Chairman and Gandrud remained an officer of the committee, serving as 2nd vice chairman. Financial arrangements continued as before.

In June 2016, Treasurer Hurd told Chairman Francisco that several outstanding FEC RFAIs requests he did not know how to respond to. Francisco hired outside finance professionals, Political Finance Solutions, to review and correct the FEC filings.

Political Finance Solutions informed Francisco of SBGOP funds being diverted to GFS. PFS advised payments to GFS cease immediately. PFS corrected expense descriptions on some FEC filings. Upon learning of advice from PFS, Gandrud attempted to discredit and to fire PFS and to force Francisco to resign as Chairman. Gandrud was successful in firing then Executive Director, Valerie Watson (Watson was subsequently rehired by the SBGOP because of her excellent work, and then paid directly by the SBGOP).

In summary, between 2011 to mid-2016, Gandrud misappropriated Political Committee funds, knowingly created a conflict of interest by directing that Committee funds be deposited to the bank account of his sole proprietorship, disregarded FEC/FPPC internal control guidelines, deliberately misclassified the purpose of payments to his firm, GFS from the SBGOP on FEC/FPPC reports, and posed as an 'EOR' to take illegal employee tax deductions.

On February 24, 2019, Gandrud was named Treasurer of the California Republican Party.

List of Supporting Documents

Complaint Santa Barbara County Republican Party / Greg Gandrud

- 1.) SBGOP Summary of Officers, address, payments process to SBGOP employee E.D. and other SBGOP expenses
 - 2002 – 2015 (1-page)
- 2.) FEC / FPPC charts of payments for SBGOP employee E.D.'s
 - 2009 - 2016 (11 pages)
- 3.) GFS., Payroll Summary SBGOP employee E.D.'s (2 pages)
 - 2010-2016 from GFS QuickBooks – SBGOP E.D.'s direct deposit by GFS
 - Gandrud distributed this payroll summary to SBGOP officers 8/15/2017
 - E.D.'s were employees of SBGOP (serves about a one-year term)
 - SBGOP employee E.D. names and the amounts paid to GFS
 - SBGOP funds to GFS accounts, Gandrud's private bookkeeping business
 - SBGOP funds are political contributions
- 4.) GFS EIN# W-2's to SBGOP employee E.D.'s; SBGOP 1099 FIN # differs (3-pages)
 - Summary: Gandrud's actions to misappropriate funds, take illegal tax deduction
 - GFS EIN # 72-1528488,
 - SBGOP FIN # 71-0901615
 - W-2 issued Watson, payor SBGOP, using GFS EIN # 72-1528488 (2016)
 - 1099 issued Watson, payor SBGOP FIN # 71-0901615 (2015)
- 5.) IRS third-party payor arrangement (6 pages, IRS website)
Required documents not completed by GFS:
 - IRS form 8655
 - IRS form 2678
 - IRS Form 940 FUTA (Federal Unemployment Tax return)
 - CPOE license and contract between GFS and SBGOP
 - No third-party payment arrangement was applied for or approved by the IRSRequired contracts not completed by GFS:
 - Employment contract between GFS and each SBGOP E.D.
 - No contract for GFS to serve as SBGOP payroll agent to pay employee E.D.

Signed



Valerie L. Watson

Date:



CALIFORNIA JURAT WITH AFFIANT STATEMENT

GOVERNMENT CODE § 8202

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-6 to be completed only by document signer[s], *not* Notary)

1 _____

2 _____

3 _____

4 _____

5 _____

6 _____

Signature of Document Signer No. 1

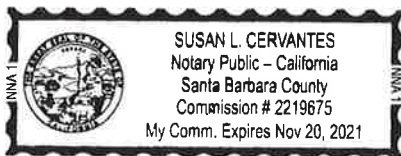
Signature of Document Signer No. 2 (if any)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
 County of Santa Barbara

Subscribed and sworn to (or affirmed) before me
 on this 27th day of February, 2019,
 by Valerie L. Watson
Date Month Year

(1) Valerie L. Watson
 (and (2) _____),
Name(s) of Signer(s)



proved to me on the basis of satisfactory evidence
 to be the person(s) who appeared before me.

Signature Susan L. Cervantes
Signature of Notary Public

Seal
 Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Complaint to FEC Document Date: 2-27-19

Number of Pages: _____ Signer(s) Other Than Named Above: _____

**Santa Barbara GOP Leadership & Use of Committee Funds, Correspondence
(Gandrud directs all Committee Funds & correspondence through his private business)**

	2007-2008	2009-2010	2011-2015
Chairman	Monte Ward	Greg Gandrud	Greg Gandrud
Treasurer	Greg Gandrud	Debra Thompson	Ron Hurd (friend and neighbor of Greg--no finance experience)
Payments to employees	Direct to employee. Employee name listed in FPPC, FEC filings.	Direct to employee. Employee name listed in FPPC, FEC filings.	Gandrud directs all SBGOP payments through GFS (more than \$110,000).
Payroll taxes	Direct to IRS.	Direct to IRS.	Gandrud directs through GFS.
Payments to vendors	Direct to vendors.	Direct to vendors.	Gandrud directs through GFS.
SBGOP address	State Street PO Box.	State Street PO Box.	GFS office in Carpinteria, Gandrud receives all correspondence.

2009 FEC	Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman
	Cory Bantian (SBGOP ED)	Event Reimbursement	12/4/2009	1000	FEC	Thompson	Gandrud
	Cory Bantian	Fundraisier event	3/8/2010	1500	FEC	Thompson	Gandrud
	Cory Bantian	Blakeslee Event	4/18/2010	1401.05	FEC	Thompson	Gandrud
	Cory Bantian	IRS	7/6/2009	258	FEC	Thompson	Gandrud
	Cory Bantian	Salary	7/6/2009	658.68	FEC	Thompson	Gandrud
	Cory Bantian	Quickbooks Payroll Service	7/6/2009	0.99	FEC	Thompson	Gandrud
				\$ 4,818.72	2009 FEC payments direct to employee, IRS, or Vendor		
2009 FPPC							
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	
Cory Bantian	SAL/Wages	4/15/2009	561.1	FPPC	Thompson	Gandrud	
Cory Bantian	IRS Payroll taxes	4/15/2009	227.07	FPPC	Thompson	Gandrud	
Cory Bantian	Salary	4/15/2009	561.1	FPPC	Thompson	Gandrud	
Cory Bantian	SAL/ Salary	2/15/2009	545.81	FPPC	Thompson	Gandrud	
Cory Bantian	SAL/Wages	2/15/2009	545.79	FPPC	Thompson	Gandrud	
Cory Bantian	SAL/ Salary	2/15/2009	545.8	FPPC	Thompson	Gandrud	
Cory Bantian	IRS Payroll taxes	2/15/2009	225.23	FPPC	Thompson	Gandrud	
Cory Bantian	CVC - Wages	2/15/2009	546.64	FPPC	Thompson	Gandrud	
Cory Bantian	IRS Payroll taxes	2/15/2009	242.37	FPPC	Thompson	Gandrud	
Cory Bantian	SAL/ Salary	2/15/2009	545.8	FPPC	Thompson	Gandrud	
Cory Bantian	phone Verizon	2/15/2009	142.74	FPPC	Thompson	Gandrud	
Cory Bantian	IRS Payroll taxes	7/15/2009	105.88	FPPC	Thompson	Gandrud	
Cory Bantian	SAL/ Salary	7/15/2009	559.88	FPPC	Thompson	Gandrud	
Cory Bantian	SAL/ Salary	9/15/2009	559.88	FPPC	Thompson	Gandrud	
Cory Bantian	IRS Payroll taxes	9/15/2009	211.75	FPPC	Thompson	Gandrud	
Cory Bantian	phone Verizon	9/15/2009	111.53	FPPC	Thompson	Gandrud	
Greg Gandrud	donation letter POS	10/15/2009	411.4	FPPC	Thompson	Gandrud	
			\$ 6,649.77	2009 FPPC payments direct to IRS/employee/vendors			

2010 FPPC								
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman		
Greg Gandrud	Phones	3/15/2010	116.98	FPPC	Thompson	Gandrud		
Greg Gandrud	Yearly Ring Central	8/15/2010	126.64	FPPC	Thompson	Gandrud		
Greg Gandrud	flowers for funeral	4/22/2010	113.88	FPPC	Thompson	Gandrud		
Greg Gandrud	SAL Intern Wages	1/21/1901	387.69	FPPC	Thompson	Gandrud		
Gandrud Financial Servs	SAL / salary for Eliz. Foster	10/15/2010	714.77	FPPC	Thompson	Gandrud		
Greg Gandrud	OFC / supplies Ring Central	10/15/2010	144.59	FPPC	Thompson	Gandrud		
			\$ 1,604.55	FPPC 2010 payments to GFS (\$714.77)				
				for SBGOP employee salary or Gandrud.				
				SBGOP is employer.				

2011 FPPC (Jan to June)

Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2011	1897.54	FPPC	Hurd	Gandrud
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2011	1897.54	FPPC	Hurd	Gandrud
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2011	1897.54	FPPC	Hurd	Gandrud
Lindsey Stetson	phone	1 to 6/2011	222.54	FPPC	Hurd	Gandrud
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2011	1783.98	FPPC	Hurd	Gandrud

\$ 7,699.14 2011 (Jan to Jun) FPPC payments to GFS for SBGOP employee salary. SBGOP is employer.

2011 FEC

Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman
Gandrud Financial Servs	Executive Director	11/14/2011	525.27	FEC	Hurd	Gandrud
Gandrud Financial Servs	Executive Director	11/1/2011	2251.6	FEC	Hurd	Gandrud
Poornima Wagh	Food/Pos	11/1/2011	191.66	FEC	Hurd	Gandrud
Poornima Wagh	Admin Salary / Overhead	11/16/2011	199.8	FEC	Hurd	Gandrud

\$ 3,168.33 2011 FEC payments to GFS for SBGOP employee salary. SBGOP is employer.

2011 FPPC (July to Dec.)

Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman
Poornima Wagh	Dinner Reimbursement	7 to 12/1011	191.27	FPPC	Hurd	Gandrud
Gandrud Financial Servs	SAL/Executive Director	7 to 12/2011	1441.02	FPPC	Hurd	Gandrud
Gandrud Financial Servs	SAL/Executive Director	7 to 12/ 2011	1748.4	FPPC	Hurd	Gandrud
Gandrud Financial Servs	SAL/Executive Director	7 to 12/2011	1113.52	FPPC	Hurd	Gandrud
Gandrud Financial Servs	SAL/Executive Director	7 to 12/2011	1441.02	FPPC	Hurd	Gandrud
Gandrud Financial Servs	SAL/Executive Director	7 to 12/ 2011	1377.92	FPPC	Hurd	Gandrud

\$ 7,313.15 2011 FPPC (Jul to Dec) payments to GFS for SBGOP employee salary

2012 FPPC (Jan to Jun)							
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2012	753.8	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2012	1741.77	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2012	753.8	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2012	234.16	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2012	1786.89	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2012	1784.01	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2012	1801.29	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL / Bonus	1 to 6/2012	348.35	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	1 to 6/2012	1741.77	FPPC	Hurd	Gandrud	
\$ 10,945.84 2012 (Jan to June) FPPC payments to GFS for SBGOP employee salary. SBGOP is employer.							
2012 FPPC July to Dec)							
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	
Gandrud Financial Servs	SAL/Executive Director	7 to 12/2012	-870.89	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	7 to 12/2012	1741.77	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	7 to 12/2012	870.89	FPPC	Hurd	Gandrud	
Greg Gandrud	PHO / Telephone	7 to 12/2012	101.57	FPPC	Hurd	Gandrud	
\$ 1,843.34 2012 (Jul to Dec) FPPC payments to GFS for SBGOP employee salary. SBGOP is employer.							
			\$ 12,789.18	2012 Total payments to GFS for SBGOP employee salary. SBGOP is employer.			

2013 FPPC (July to Dec)							
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	
Greg Gandrud	WEB/Ring Central	7 to 12/2013	102.44	FPPC	Hurd	Gandrud	
Ring Central	Phones	7 to 12/2013	120.88	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	7 to 12/2013	4280.18	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Executive Director	7 to 12/2013	1441.51	FPPC	Hurd	Gandrud	
			\$ 5,945.01				2013 (Jul to Dec) FPPC payments to GFS for SBGOP employee salary. SBGOP is employer.
2013 FEC							
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	
Gandrud Financial Servs	Executive Director	10/15/2013	2474.74	FEC	Hurd	Gandrud	
Gandrud Financial Servs	Executive Director	10/22/2013	1695.40	FEC	Hurd	Gandrud	
			\$ 4,170.14				2013 FEC payments to GFS
			\$ 10,115.15				2013 total paid to GFS for SBGOP employee salary. SBGOP is employer.

2014 FPPC (July to Dec)

Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	
Gandrud Financial Servs	SAL/Wages	7 to 12/2014	560.23	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Fundraising	7 to 12/2014	206.17	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Wages	7 to 12/2014	228.74	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Fundraising	7 to 12/2014	670.97	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Salary	7 to 12/2014	129.56	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Wages	7 to 12/2014	1013.16	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Fundraising	7 to 12/2014	792.51	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Wages	7 to 12/2014	340.31	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Wages	7 to 12/2014	1356.53	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Fundraising	7 to 12/2014	390.01	FPPC	Hurd	Gandrud	
Gandrud Financial Servs	SAL/Fundraising	7 to 12/2014	482.96	FPPC	Hurd	Gandrud	
Greg Gandrud	Housing	7 to 12/2014	161.99	FPPC	Hurd	Gandrud	
Greg Gandrud	Fundraising Meals	7 to 12/2014	1279.22	FPPC	Hurd	Gandrud	check against Hotel Corque
			\$ 7,612.36	2014 (Jul to Dec) FPPC payments to GFS for SBGOP employee salary. SBGOP is employer.			
			\$ 13,729.50	2014 total paid to GFS for SBGOP employee salary	SBGOP is employer		
2014 FPPC							
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	same amount written to
Hotel Corque Solvang	FND Meals	7 to 12/2014	1279.22	FPPC	Hurd	Gandrud	Gandrud?
Ring Central	PHO Fundraising	7 to 12/2014	105.5	FPPC	Hurd	Gandrud	
Ventura County Republican C	PRT/Advertising	7 to 12/2014	1442.02	FPPC	Hurd	Gandrud	

2015 FPPC (Jan to June)							
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	
Gandrud Financial Servs	SAL/Fundraising	1 to 6/2015	299.03	FPPC	Hurd	Francisco	
Gandrud Financial Servs	SAL/Wages	1 to 6/2015	1386.16	FPPC	Hurd	Francisco	
			\$ 1,685.19	2015 FPPC (Jan to June) payments to GFS for SBGOP employee salary. SBGOP is employer.			
2015 FEC							
Francisco becomes Chairman, not aware of payments to GFS							
Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman	
Gandrud Financial Servs	Fundraising	9/3/2015	458.83	FEC	Hurd	Francisco	
Gandrud Financial Servs	FEA 100% Federal:Wages	4/20/2015	1299.53	FEC	Hurd	Francisco	
Gandrud Financial Servs	2015-2016 Admin	4/20/2015	2165.88	FEC	Hurd	Francisco	
Gandrud Financial Servs	FEA 100% Federal:Salary	5/13/2015	1646.07	FEC	Hurd	Francisco	
Gandrud Financial Servs	FEA 100% Federal:Salary	5/13/2015	1819.34	FEC	Hurd	Francisco	
Gandrud Financial Servs	Fundraising/2015-2016 Adm	6/17/2015	2921.59	FEC	Hurd	Francisco	
Gandrud Financial Servs	FEA 100% Federal: Fundraisi	6/17/2015	2870.16	FEC	Hurd	Francisco	
Gandrud Financial Servs	FEA 100% Federal: Fundraisi	7/17/2015	2778.58	FEC	Hurd	Francisco	
Gandrud Financial Servs	Fundraising/2015-2016 Adm	7/17/2015	494.82	FEC	Hurd	Francisco	
Gandrud Financial Servs	Fundraising / Administrative	8/12/2015	589.97	FEC	Hurd	Francisco	
Gandrud Financial Servs	Salary	9/16/2015	761.26	FEC	Hurd	Francisco	
Gandrud Financial Servs	Fundraising	9/16/2015	2512.14	FEC	Hurd	Francisco	
Gandrud Financial Servs	Fundraising	10/4/2015	349.31	FEC	Hurd	Francisco	
Gandrud Financial Servs	Fundraising	10/4/2015	1397.25	FEC	Hurd	Francisco	
			\$ 25,435.11	2015 FEC payments to GFS for SBGOP employee salary. SBGOP is employer.			
Employer payroll tax \$256/mo. for 7 months							
			\$ 1,792.00	payroll tax			
			21957.92	paid			
					\$957.92 kept		
					by GFS		

Payee	Description of Expense	DATE	Amount	FPPC/FEC	Treasurer	Chairman
Valerie Watson	Wages (Fundraising event Nov 2015)	11/23/2015	3000	FEC	Hurd	Francisco
2016 FEC						
Gandrud Financial Services	Fundraising Admin	3/16/2016	3588.02	FEC	Hurd	Francisco
Gandrud Financial Services		3/22/2016	2016.4	FEC	Hurd	Francisco
Gandrud Financial Services	Wages/Admin	4/2/2016	1779.88	FEC	Hurd	Francisco
Gandrud Financial Services	Fundraising Admin	4/19/2016	1803.04	FEC	Hurd	Francisco
Gandrud Financial Services	Fundraising Admin	5/17/2017	1848.7	FEC	Hurd	Francisco
Gandrud Financial Services	Fundraising Admin	5/5/2016	2123.07	FEC	Hurd	Francisco
Gandrud Financial Services	Payroll Processing Fees	6/3/2016	639.75	FEC	submitted by PFS to FEC	Francisco
Gandrud Financial Services	Admin					
Gandrud Financial Services	ExecDir - less than 25% FEA	6/3/2016	1397.66	FEC	submitted by PFS to FEC	Francisco
Gandrud Financial Services	Admin					
Gandrud Financial Services	ExecDir - less than 25% FEA	6/27/2016	1634.85	FEC	submitted by PFS to FEC	Francisco
Gandrud Financial Services	ExecDir - less than 25% FEA	7/12/2016	1765.64	FEC	submitted by PFS to FEC	Francisco
Gandrud Financial Services	ExecDir - less than 25% FEA	7/14/2016	1634.85	FEC	submitted by PFS to FEC	Francisco
Gandrud Financial Services	Admin					
			\$ 20,231.86	2016 FEC payments to GFS for SBGOP		
				employee salary. SBGOP is employer.		

Expenses Watson Feb to July 15									
expenses Feb 1-29	\$	118.55				Employer payroll tax 2016			
expenses March 1-15	\$	280.80				Feb-16	\$	256.50	
expenses March 16-31	\$	44.28				Mar-16	\$	256.50	
expenses April 1-15	\$	100.44				Apr-16	\$	256.50	
expense April 16-30	\$	486.76				May-16	\$	256.50	
expense May 1-15	\$	212.10				Jun-16	\$	256.50	
expense May 16-31	\$	400.27				Jul-16	\$	128.50	
expense June 1-15	\$	-				Total Payroll	\$	1,411.00	
June 16-30	\$	130.79							
Total Expenses paid through Gandrud	\$	1,773.99							
2016 Total Amount FEC+FPPC to Gandrud									
Total Expenses paid through Gandrud									
Employer payroll tax 2016	5 mo. and 2 weeks								
Total Expenses & Payroll tax through Gandrud									
Payroll to Watson through Gandrud									
Amount Gandrud kept									

Gandrud Financial Services Corp.
Payroll Summary
SB County Republican Party

Employee Wages, Taxes and Adjustments	Becker, Michael	Chambers, Gregory	Chen, Edward H.	Emory, Tobias T	Foster, Elizabeth W	Stetson, Lindsey K	Waght, Boorniah	Watson, Valerie L.
Gross Pay								
Salary	0.00	0.00	0.00	0.00	876.71	12,200.00	0.00	0.00
SBCRP	3,000.00	19,600.00	0.00	9,892.31	0.00	0.00	28,045.45	16,500.00
Hourly	0.00	0.00	280.50	0.00	0.00	0.00	0.00	0.00
SBCRP Hourly	8,400.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ED Bonus	0.00	0.00	0.00	0.00	0.00	0.00	500.00	0.00
Waller Bonus	273.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Walking Bonus	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Gross Pay	11,974.58	19,600.00	280.50	9,892.31	876.71	12,200.00	28,545.45	16,500.00
Adjusted Gross Pay	11,974.58	19,600.00	280.50	9,892.31	876.71	12,200.00	28,545.45	16,500.00
Taxes Withheld								
Federal Withholding	0.00	788.00	0.00	-994.00	0.00	-876.00	-1,861.00	-1,827.00
Medicare Employee	-173.63	-284.40	-4.07	-140.54	-12.71	-176.90	-413.91	-239.25
Social Security Employee	-742.43	-1,215.20	-17.38	-608.92	-54.36	-512.40	-1,198.91	-1,023.00
CA - Withholding	0.00	-44.76	0.00	-257.17	0.00	-113.49	-326.59	-398.30
CA - Disability Employee	-119.86	-176.40	-2.82	-86.92	-9.64	-146.40	-204.05	-148.50
Medicare Employee Addl Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Taxes Withheld	-1,095.72	-2,488.56	-23.88	-2,098.55	-76.71	-1,825.10	-4,104.46	-3,628.05
Deductions from Net Pay								
Garrisonment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-170.00
Total Deductions from Net Pay	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-170.00
Additions to Net Pay								
Mileage	306.50	0.00	0.00	0.00	0.00	0.00	0.00	1,541.16
SBCGP Reimb	0.00	0.00	0.00	0.00	0.00	0.00	0.00	233.13
Total Additions to Net Pay	306.50	0.00	0.00	0.00	0.00	0.00	0.00	1,774.29
Net Pay	11,247.36	17,111.44	256.52	7,602.76	800.00	10,374.90	24,440.99	14,478.21
Employer Taxes and Contributions								
Federal Unemployment	60.55	42.80	2.24	42.00	7.01	56.00	84.00	42.00
Medicare Company	173.63	284.20	4.07	140.54	12.71	176.90	413.91	239.25
Social Security Company	742.43	1,215.20	17.39	608.92	0.00	756.40	1,768.82	1,023.00
CA - Unemployment Company	333.03	231.00	6.73	231.00	21.34	203.00	385.00	203.00
Workers Compensation	154.57	276.98	0.00	117.28	0.00	6.70	381.14	221.10
CA - Employment Training Tax	10.09	7.00	0.28	7.00	0.88	7.00	14.00	7.00
Total Employer Taxes and Contributions	1,474.30	2,055.76	30.71	1,138.74	41.54	1,205.00	3,027.87	1,733.35
COST TO SB COUNTY REPUB PARTY	13,446.88	21,655.76	311.21	10,831.05	918.35	13,406.00	31,573.32	18,235.35

Gandrud Financial Services Corp.
Payroll Summary
SB County Republican Party

Employee Wages, Taxes and Adjustments	TOTAL
Gross Pay	
Salary	13,076.71
SBCRP	78,837.76
Hourly	280.50
SBCRP Hourly	8,480.78
ED Bonus	500.00
Master Bonus	273.80
Walking Bonus	300.00
Total Gross Pay	99,669.55
Adjusted Gross Pay	89,869.55
Taxes Withheld	
Federal Withholding	-6,326.00
Medicare Employee	-1,445.21
Social Security Employee	-5,364.61
CA - Withholding	-1,130.22
CA - Disability Employee	-1,004.09
Medicare Employee Addl Tax	0.00
Total Taxes Withheld	-15,270.13
Deductions from Net Pay	
Garnishment	-170.00
Total Deductions from Net Pay	-170.00
Additions to Net Pay	
Mileage	1,849.68
SEGOP Reimb	233.10
Total Additions to Net Pay	2,082.78
Net Pay	86,312.18
Employer Taxes and Contributions	
Federal Unemployment	\$36.90
Medicare Company	1,445.21
Social Security Company	8,125.16
CA - Unemployment Company	1,613.80
Workers Compensation	1,137.15
CA - Employment Training Tax	53.25
Total Employer Taxes and Contributions	10,710.37

COST TO SB COUNTY REPUB PARTY 110,379.92

Summary: Gandrud used SBGOP funds for “GFS” illegal tax deduction; GFS EIN on W-2’s

Greg Gandrud illegally and knowingly took employee tax deductions for “GFS”, his private business, using funds he misappropriated from SBGOP Political Committee

Entity: Gandrud Financial Services Corporation “GFS”
Greg Gandrud, Sole Proprietor

Greg Gandrud SBGOP Officer Positions:
SBGOP Treasurer, 2002-2008; SBGOP Chair, 2009-2015; SBGOP 2nd Vice Chair, 2015-2016

Gandrud Financial Services Corp “GFS” EIN # 72-1528488

- Attached 2016 W-2 for Valerie Watson in amount of \$16,500
- **W-2 shows GFS EIN # 72-1528488**

Entity: Santa Barbara County Republican Party
Political Committee regulated by FEC and FPPC

Santa Barbara County Republican Party EIN # 71-0901615

- Attached 2015 1099 for Valerie Watson in the amount of \$3000
- **1099 shows SBGOP EIN # 71-0901615**

**“GFS” EIN - # 72-1528488 appears on W-2’s issued to SBGOP Employee E.D.’s 2011-2016
SBGOP was employer and payor of E.D. salary and expenses, not “GFS”**

- Gandrud illegally used SBGOP’s employee tax deduction for “GFS” between 2011 – 2016.
- SBGOP employee E.D.’s paid exclusively with funds Gandrud intentionally misappropriated from SBGOP. Gandrud commingled SBGOP funds with “GFS” business bank accounts
- Funds to pay SBGOP employee E.D.’s came exclusively from political donations to the SBGOP
- Gandrud was SBGOP Chairman, or 2nd Vice Chair the entire time he directed SBGOP funds to his business, “GFS”, through Treasurer Ron Hurd
- Gandrud paid his company, “GFS”, a fee for issuing paychecks to SBGOP Employee E.D.’s
- Gandrud had no authorization to receive funds from the SBGOP
 - Gandrud never requested nor received IRS authorization to perform any of the following roles
 - Gandrud did not have licenses or insurances required to perform any of the following roles
 - Gandrud had no contract with SGGOP to perform any of the following roles:
 - Payroll service provider
 - Reporting Agent
 - 3504 Agent
 - Certified Professional Employer Organization CPEO Employer of Record, ‘EOR’
 - Gandrud had no contract with any SBGOP employee E.D., required to act as the ‘EOR’
 - Political Finance Solutions “PFS” stopped all funds transfers from SBGOP to GFS when they were hired by Chairman Francisco mid-2016

a Employee's SSN [REDACTED]		b Employer identification number (EIN) 72-1528448			OMB No. 1545-0008	
c Employer's name, address, and ZIP code GANDRUD FINANCIAL SERVICES CORP. 1180 EUGENIA PL STE 220 CARPINTERIA CA 93013-2000		1 Wgs, tips, other compn 16500.00	2 Fed inc tax withheld 1827.00	3 Social security wages 16500.00		
		4 SS tax withheld 1023.00	5 Medicare wages & tips 16500.00	6 Medicare tax withheld 239.25		
		7 Social security tips	8 Allocated tips	9		
d Control number		10 Depdnt care benefits	11 Nonqualified plans	12a		
e Employee's name, address, and ZIP code Suff. VALERIE L WATSON PO BOX 8522 FLEMING ISLAND FL 32006		13 Statutory employee <input type="checkbox"/>	14 Other CA-SDI 148.50	12b		
		Retirement plan <input type="checkbox"/>		12c		
		Third-party sick pay <input type="checkbox"/>		12d		
15 State CA	Employer's state ID number 447-5348-1	16 State wages, tips, etc 16500.00	17 State income tax 388.30	18 Local wages, tips, etc	19 Local income tax	20 Locality name

Form **W-2**
Wage and Tax Statement
2016

Copy B To Be Filed with Employee's FEDERAL Tax Return
This information is being furnished to the Internal Revenue Service.

REV 12/07/16 QBDT

Department of the Treasury — IRS

a Employee's SSN [REDACTED]		b Employer identification number (EIN) 72-1528448			OMB No. 1545-0008	
c Employer's name, address, and ZIP code GANDRUD FINANCIAL SERVICES CORP. 1180 EUGENIA PL STE 220 CARPINTERIA CA 93013-2000		1 Wgs, tips, other compn 16500.00	2 Fed inc tax withheld 1827.00	3 Social security wages 16500.00		
		4 SS tax withheld 1023.00	5 Medicare wages & tips 16500.00	6 Medicare tax withheld 239.25		
		7 Social security tips	8 Allocated tips	9		
d Control number		10 Depdnt care benefits	11 Nonqualified plans	12a		
e Employee's name, address, and ZIP code Suff. VALERIE L WATSON PO BOX 8522 FLEMING ISLAND FL 32006		13 Statutory employee <input type="checkbox"/>	14 Other CA-SDI 148.50	12b		
		Retirement plan <input type="checkbox"/>		12c		
		Third-party sick pay <input type="checkbox"/>		12d		
15 State CA	Employer's state ID No. 447-5348-1	16 State wages, tips, etc 16500.00	17 State income tax 388.30	18 Local wages, tips, etc	19 Local income tax	20 Locality name

Form **W-2**
Wage and Tax Statement
2016

Copy 2 To Be Filed With Employee's State, City, or Local Income Tax Return.

REV 12/07/16 QBDT

a Employee's SSN [REDACTED]		b Employer identification number (EIN) 72-1528448			OMB No. 1545-0008	
c Employer's name, address, and ZIP code GANDRUD FINANCIAL SERVICES CORP. 1180 EUGENIA PL STE 220 CARPINTERIA CA 93013-2000		<small>This information is being furnished to the IRS. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.</small>				
		1 Wgs, tips, other compn 16500.00	2 Fed inc tax withheld 1827.00	3 Social security wages 16500.00		
		4 SS tax withheld 1023.00	5 Medicare wages & tips 16500.00	6 Medicare tax withheld 239.25		
d Control No.		7 Social security tips	8 Allocated tips	9		
e Employee's name, address, and ZIP code Suff. VALERIE L WATSON PO BOX 8522 FLEMING ISLAND FL 32006		10 Depdnt care benefits	11 Nonqualified plans	12a		
		13 Statutory employee <input type="checkbox"/>	14 Other CA-SDI 148.50	12b		
		Retirement plan <input type="checkbox"/>		12c		
Third-party sick pay <input type="checkbox"/>	12d					
15 State CA	Employer's state ID No. 447-5348-1	16 State wages, tips, etc 16500.00	17 State income tax 388.30	18 Local wages, tips, etc	19 Local income tax	20 Locality name

Form **W-2**
Wage and Tax Statement
2016

Copy C For EMPLOYEE'S RECORDS. (See Notice to Employee.)

REV 12/07/16 QBDT

CORRECTED (if checked)

✓

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. SANTA BARBARA Co. REPUBLICAN Party 1180 EUGENIA PL #220 CARPINTERIA, CA 93013		1 Rents \$	OMB No. 1545-0115 2015 Form 1099-MISC	Miscellaneous Income
PAYER'S federal identification number 71-0901615		2 Royalties \$	4 Federal income tax withheld \$ 0	
RECIPIENT'S identification number 1		3 Other income \$	6 Medical and health care payments \$	
RECIPIENT'S name VALERIE L. WATSON Street address (including apt. no.) P.O. Box 22007 City or town, state or province, country, and ZIP or foreign postal code SANTA BARBARA, CA 93121		5 Fishing boat proceeds \$	8 Substitute payments in lieu of dividends or interest \$	
Account number (see instructions)		FATCA filing requirement <input type="checkbox"/>	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
15a Section 409A deferrals \$		10 Crop insurance proceeds \$		
15b Section 409A income \$		11	12	
		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	
		16 State tax withheld \$	17 State/Payer's state no.	18 State income \$

Form **1099-MISC**

(keep for your records)

www.irs.gov/form1099misc

Department of the Treasury - Internal Revenue Service



Third Party Arrangement Chart

There are some differences between a payroll service provider, reporting agent authorized under Form 8655, Reporting Agent Authorization (PDF), an IRC section 3504 agent appointed using Form 2678, Employer/Payer Appointment of Agent (PDF) and a certified professional employer organization (CPEO) identified using Form 8973, Certified Professional Employer Organization/Customer Reporting Agreement.

A Form 8655 (PDF) reporting agent provides payroll services **for** one or more employers, using each client's (employer's) employer identification number (EIN) to file separate returns (generally e-file only) on the client's behalf. A reporting agent may also deposit and pay taxes on the client's behalf.

A Form 2678 (PDF) agent acts **as** the employer, assuming liability along with the employer for the employer's Social Security, Medicare and federal income tax withholding responsibilities. An agent appointed under Form 2678 files aggregate returns (e-file or paper) using the agent's EIN.

A CPEO **pays** wages to workers performing services for its employer customers under a CPEO contract and is responsible for the withholding, reporting and paying of federal employment taxes on these wages. A CPEO files aggregate returns using the CPEO's EIN.

The chart below illustrates the most significant differences.

Related Topics

- Outsourcing Payroll and Third Party Payers

**Third-Party
Arrangement
Authority**

**Payroll Service
Provider (PSP)**

**Reporting
Agent (RA)**

**IRC Section 3504
Agent (Agent)**

**Certified
Professional
Employer
Organization
(CPEO)**

**Third-Party
Arrangement
Authority**

**Payroll Service
Provider (PSP)**

**Reporting
Agent (RA)**

**IRC Section 3504
Agent (Agent)**

**Certified
Professional
Employer
Organization
(CPEO)**

Can file certain
employment
tax returns?

Yes. The PSP prepares a separate return for each client using the client's EIN. After employer/client signs the return, either the client or the PSP may file the return on paper.

Yes. The RA signs and is generally required to file electronically a separate return for each client, using the client's EIN. The RA must e-file returns listed in Rev. Proc. 2012-32 and shown on the Form 8655 authorization request, if the forms are available for electronic filing. Only forms that are not able to be electronically filed can be filed using paper forms.

Yes. The agent files an aggregate return for all employers/clients, using the agent's EIN. Agent can file those returns listed on Form 2678 appointment request.

Yes. The CPEO files an aggregate return for all customers/clients, using the CPEO's EIN. CPEO files those returns listed on Form 8973.

**Third-Party
Arrangement
Authority**

**Payroll Service
Provider (PSP)**

**Reporting
Agent (RA)**

**IRC Section 3504
Agent (Agent)**

**Certified
Professional
Employer
Organization
(CPEO)**

Can make deposits and payments for employment taxes reported on certain returns?

Yes. The PSP deposits and pays tax liabilities on behalf of each client, using the client's separate EIN, according to each client's deposit requirements.

Yes. The RA deposits and pays tax liabilities on behalf of each client, using the client's separate EIN, according to each client's deposit requirements.

Yes. The agent deposits and pays for tax liabilities the agent has aggregated and reported using the agent's EIN, according to the agent's deposit requirements. The agent can make deposits and payments for those employment taxes reported on returns listed on Form 2678 appointment request.

Yes. The CPEO deposits and pays for tax liabilities the CPEO has aggregated and reported using the CPEO's EIN, according to the CPEO's deposit requirements. The CPEO **makes** deposits and payments for those employment taxes reported on returns listed on Form 8973.

Third-Party Arrangement Authority	Payroll Service Provider (PSP)	Reporting Agent (RA)	IRC Section 3504 Agent (Agent)	Certified Professional Employer Organization (CPEO)
Can file Form 940, <i>Employer's Annual Federal Unemployment (FUTA) Tax Return</i> ?	Yes. After employer/client signs the return, client or PSP files separate returns using client's EIN.	Yes. The RA signs and generally files electronically separate returns using client's EIN.	No. Employers/clients must file FUTA tax returns using their own EINs. However, there is an exception for Home Care Service Recipients through a state or local program.	Yes. The CPEO files an aggregate FUTA return for all customers/clients, using the CPEO's EIN.

Third-Party Arrangement Authority	Payroll Service Provider (PSP)	Reporting Agent (RA)	IRC Section 3504 Agent (Agent)	Certified Professional Employer Organization (CPEO)
Has employment tax liability?	<p>No. Employer/Client, not the PSP, remains liable for ensuring all tax returns are filed timely and all deposits and payments are made timely.</p>	<p>No. Employer/Client, not RA, remains liable for ensuring all tax returns are filed timely and all deposits and payments are made timely.</p>	<p>Yes. Employer/Client and agent are both liable for paying the client's employment taxes, filing returns, and making deposits and payments for the taxes reported.</p>	<p>Yes. Generally, the CPEO is solely liable for paying the customer's employment taxes, filing returns, and making deposits and payments for the taxes reported with regard to remuneration it pays to worksite employees (as defined in IRC 7705(e)). CPEO and customer may both be liable with regard to remuneration the CPEO pays to non-worksite employees.</p>

**Third-Party
Arrangement
Authority****Payroll Service
Provider (PSP)****Reporting
Agent (RA)****IRC Section 3504
Agent (Agent)****Certified
Professional
Employer
Organization
(CPEO)**

Specific
guidance in
addition to
IRC,
regulations
and
Publication 15,
Circular E.

**Rev. Proc. 2012-
32.**

**Rev. Proc. 2013-
39**

**Treas. Reg.
31.3504-1**

**Rev. Proc. 2017-
14**

Rate the Small Business and Self-Employed Website

Page Last Reviewed or Updated: 25-May-2018