

1 **BEFORE THE FEDERAL ELECTION COMMISSION**
2
3 **ENFORCEMENT PRIORITY SYSTEM**
4 **DISMISSAL REPORT**
5

6 **MUR:** 7574

Respondents: Gregory Gandrud
Gandrud Financial Services Corporation
Santa Barbara Republican Party and
Ronald Hurd in his official capacity
as treasurer

8 **Complaint Receipt Date:** Mar. 4, 2019

9 **Last Response Date:** Mar. 22, 2019

12 **Alleged Statutory Violations:**

52 U.S.C. §§ 30104(b); 30116; 30118(a)

13 **Regulatory Violations:**

11 C.F.R. §§ 104.3(b)(3)(i); 104.9

15 The Complaint alleges that Gregory Gandrud¹ misappropriated and commingled funds from
16 the Santa Barbara Republican Party (“SBGOP”) by diverting SBGOP payments for committee staff
17 and operating expenses to Gandrud Financial Services Corporation (“GFS”), a corporate entity
18 Gandrud controlled.² Specifically, the Complaint alleges that Gandrud and GFS comingled SBGOP
19 funds with GFS’s corporate funds, and improperly withheld fees for issuing paychecks to the
20 SBGOP employees.³ The Complaint also alleges SBGOP misrepresented the purpose of payments to
21 GFS by not properly reporting the disbursements as payments for committee staff salary.⁴
22 Respondents deny the allegations and assert that in order to reduce the cost of SBGOP’s workers’
23 compensation payments and payroll processing, SBGOP contracted with GFS to serve as a
24 “professional employer organization,” whereby GFS served as the employer of record for the

¹ Gandrud is a committee member of the Santa Barbara Republican Party, served as committee chairman from 2009-2015, and served as a vice chairman from 2015-2016. Compl. at 4. Commission records show that he also served as the committee’s treasurer from 2001-2009 (although the complaint states the dates were from 2002-2008) and is the current treasurer for the California Republican Party. *See* SBGOP Statement of Organization (Mar. 1, 2001); SBGOP Statement of Organization (Feb. 16, 2009); California Republican Party Statement of Organization (Sept. 25, 2020).

² Compl. at 3-4 (Mar. 4, 2019). The Complaint alleges that in doing so, Gandrud and GFS also violated various provisions of the federal and California state tax codes. This report does not address those allegations because they are outside the Commission’s jurisdiction.

³ Compl. at 22.

⁴ Compl. at 1.

1 individuals filling staff roles for SBGOP.⁵ Gandrud and GFS also assert that Gandrud personally
2 performed all of the work required to process the payroll transactions, he performed the payroll
3 work on his own time as a volunteer, and the services took less than 30 minutes of his time twice
4 per month.⁶

5 Based on its experience and expertise, the Commission has established an Enforcement
6 Priority System using formal, pre-determined scoring criteria to allocate agency resources and
7 assess whether particular matters warrant further administrative enforcement proceedings. These
8 criteria include (1) the gravity of the alleged violation, taking into account both the type of activity
9 and the amount in violation; (2) the apparent impact the alleged violation may have had on the
10 electoral process; (3) the complexity of the legal issues raised in the matter; and (4) recent trends in
11 potential violations and other developments in the law. This matter is rated as low priority for
12 Commission action after application of these pre-established criteria. Given that low rating, the
13 lack of available information to support the Complaint's assertions, the potential amount in
14 violation,⁷ and Respondents' assertions that neither Gandrud nor GFS profited from their work with
15 SBGOP, we recommend that the Commission dismiss the Complaint consistent with the
16 Commission's prosecutorial discretion to determine the proper ordering of its priorities and use of

⁵ GFS Resp. at 1 (Mar. 22, 2019) (Gandrud filed a joint Response on behalf of himself in his individual capacity and on behalf of GFS in his capacity as president of the corporation); SBGOP Resp. at 1 (Mar. 20, 2019). Respondents state that under this arrangement, GFS served as the employer of record for committee staff, paid their salaries, and handled withholding for payroll taxes and insurance. According to Respondents, including a sworn statement by SBGOP's treasurer, GFS billed SBGOP solely for the exact cost of the employees' wages, payroll taxes, and insurance; those disbursements were properly reported by SBGOP; GFS did not bill SBGOP for the work required to process those payments; and GFS made no profit from the arrangement. GFS Resp. at 1; SBGOP Resp. at 1.

⁶ GFS Resp. at 1. *See* 11 C.F.R. § 114.9. Gandrud adds that SBGOP reimbursed him for certain expenses (*e.g.*, telephone and restaurant charges) that were charged to his personal credit card. *Id.*

⁷ Although SBGOP's reports appear to lack identification of the ultimate payee for its disbursements to GFS and appear to provide insufficient information about the purpose of some disbursements, the amount in violation for these apparent improperly itemized disbursements,

1 agency resources.⁸ We also recommend that the Commission close the file and send the appropriate
2 letters.

3 Lisa J. Stevenson
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7 Charles Kitcher
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11
12 05.19.21

13 Date

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⁸ *Heckler v. Chaney*, 470 U.S. 821, 831-32 (1985).