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8 **BEFORE THE FAIR POLITICAL PRACTICES COMMISSION**  
9 **STATE OF CALIFORNIA**

10  
11 In the Matter of

FPPC Case No. 16/071

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13 **ABDALLAH FARRUKH, M.D.,**

**STIPULATION, DECISION AND ORDER**

14  
15 Respondent.  
16

17 **INTRODUCTION**

18 Respondent Abdallah Farrukh, M.D. was one of five elected Board of Directors for the Antelope  
19 Valley Healthcare District (AVHD), located in Lancaster, CA. He is currently serving his fifth  
20 consecutive four-year term.

21 The Political Reform Act (the "Act")<sup>1</sup> requires public officials to file annual disclosure statements  
22 which provide specific information about their economic interests. Dr. Farrukh failed to disclose  
23 numerous economic interests in his 2013, 2014, 2015, and 2016 Annual SEIs.

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27 <sup>1</sup> The Political Reform Act is contained in Government Code §§ 81000 through 91014, and all statutory references  
28 are to this code. The regulations of the Fair Political Practices Commission are contained in §§ 18110 through 18997 of Title  
2 of the California Code of Regulations, and all regulatory references are to this source.

1 **SUMMARY OF THE LAW**

2 All legal references and discussions of the law refer to the Act’s provisions as they existed at the  
3 time of the stated violations.

4 **Need for Liberal Construction and Vigorous Enforcement of the Political Reform Act**

5 When enacting the Political Reform Act, the people of the state of California found and declared  
6 that previous laws regulating political practices suffered from inadequate enforcement by state and local  
7 authorities.<sup>2</sup> To that end, the Act must be liberally construed to achieve its purposes.<sup>3</sup>

8 There are many purposes of the Act. One purpose is to ensure that the assets and income of public  
9 officials, which may be materially affected by their official actions, be disclosed, so that conflicts of  
10 interest may be avoided.<sup>4</sup> Another purpose is to provide adequate enforcement mechanisms so that the  
11 Act will be “vigorously enforced.”<sup>5</sup>

12 In furtherance of this purpose, the Act requires public officials who are designated in their  
13 agency’s conflict of interest code to annually file SEIs disclosing his or her reportable investments,  
14 interests in real property, and income.<sup>6</sup> The conflict of interest code for the AVHD identifies members of  
15 the board of directors as designated employees who must disclose all real property in the jurisdiction, all  
16 investments and business positions, and all sources of income and gifts.

17 The public official’s SEIs must include all of the public official’s reportable economic interests  
18 during each preceding calendar year.<sup>7</sup> The Act specifies the disclosure requirements for investments,  
19 business and real property interests, and sources of income and gifts received by public officials.<sup>8</sup>

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24 <sup>2</sup> § 81001, subd. (h).

25 <sup>3</sup> § 81003.

26 <sup>4</sup> § 81002, subd. (c).

27 <sup>5</sup> § 81002, subd. (f).

28 <sup>6</sup> §§ 87200 and 87203.

<sup>7</sup> Reg. 18723, subd. (a).

<sup>8</sup> §§ 87206 and 87207.

**SUMMARY OF THE FACTS**

During 2013, 2014, 2015, and 2016, Dr. Farrukh was required to disclose numerous economic interests in his SEIs. Dr. Farrukh’s original SEIs did not include all of the required disclosures. Dr. Farrukh filed the following original and amended Annual SEIs:

<b>2013 Annual SEI</b>			
<b>Schedule and Interest Type</b>	<b>Original Filed 3/26/2014</b>	<b>Amendments 8/16/2017</b>	<b>Amendments 2/22/2019</b>
A-1: No. of Investments – Ownership Interest <10%	1	No Change	Added 175
A-2: No. of Business Entities – Ownership Interest ≥10%	4	Added 2	n/a
A-2: No. of Sources of Income to Business Entities – Ownership Interest ≥10%	4	Added 21	n/a

<b>2014 Annual SEI</b>			
<b>Schedule and Interest Type</b>	<b>Original Filed 3/20/2015</b>	<b>Amendments 8/16/2017</b>	<b>Amendments 2/22/2019</b>
A-1: No. of Investments – Ownership Interest <10%	1	Added 102	Added 93
A-2: No. of Business Entities – Ownership Interest ≥10%	4	Added 2	n/a
A-2: No. of Sources of Income to Business Entities – Ownership Interest ≥10%	4	Added 20	n/a

<b>2015 Annual SEI</b>			
<b>Schedule and Interest Type</b>	<b>Original Filed 3/31/2016</b>	<b>Amendments 8/16/2017</b>	<b>Amendments 2/22/2019</b>
A-1: No. of Investments – Ownership Interest <10%	7	No Change	Added 330
A-2: No. of Business Entities – Ownership Interest ≥10%	4	Added 3	n/a
A-2: No. of Sources of Income to Business Entities – Ownership Interest ≥10%	2	Added 23	n/a

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2016 Annual SEI			
Schedule and Interest Type	Original Filed 3/20/2017	Amendments 8/16/2017	Amendments 2/22/2019
A-1: No. of Investments – Ownership Interest <10%	108	No Change	Added 98
A-2: No. of Business Entities – Ownership Interest ≥10%	4	n/a	n/a
A-2: No. of Sources of Income to Business Entities – Ownership Interest ≥10%	2	Added 10	n/a

After consulting with his attorney, Dr. Farrukh signed a tolling agreement on March 21, 2019, tolling the statute of limitations for these violations while the parties negotiated this settlement agreement.

### VIOLATIONS

#### Count 1: Failure to Timely Disclose Interests on Statement of Economic Interests

Dr. Farrukh failed to timely disclose investments and sources of income interests on his 2013 Annual SEI, due on April 1, 2014, as a member of the AVHD Board of Directors, violating Government Code Sections 87300, 87206 and 87207.

#### Count 2: Failure to Timely Disclose Interests on Statement of Economic Interests

Dr. Farrukh failed to timely disclose investments and sources of income interests on his 2014 Annual SEI, due on April 1, 2015, as a member of the AVHD Board of Directors, violating Government Code Sections 87300, 87206 and 87207.

#### Count 3: Failure to Timely Disclose Interests on Statement of Economic Interests

Dr. Farrukh failed to timely disclose investments and sources of income interests on his 2015 Annual SEI, due on April 1, 2016, as a member of the AVHD Board of Directors, violating Government Code Sections 87300, 87206 and 87207.

#### Count 4: Failure to Timely Disclose Interests on Statement of Economic Interests

Dr. Farrukh failed to timely disclose investments and sources of income interests on his 2016 Annual SEI, due on April 3, 2017, as a member of the AVHD Board of Directors, violating Government Code Sections 87300, 87206 and 87207.

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1 **PROPOSED PENALTY**

2 This matter consists of four counts of violating the Act, which carries a maximum administrative  
3 penalty of \$5,000 per count, totaling \$20,000.<sup>9</sup>

4 In determining the appropriate penalty for a particular violation of the Act, the Commission  
5 considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis  
6 on serving the purposes and intent of the Act. Additionally, the Commission considers the facts and  
7 circumstances of the violation in context of the factors set forth in Regulation 18361.5, subdivision (d):  
8 1) the seriousness of the violations; 2) the presence or lack of intent to deceive the voting public; 3)  
9 whether the violation was deliberate, negligent, or inadvertent; 4) whether the Respondent demonstrated  
10 good faith in consulting with Commission staff; 5) whether there was a pattern of violations and whether  
11 the violator has a prior record of violations of the Act or similar laws; and 6) whether, upon learning of  
12 the violation, the violator voluntarily provided amendments to provide full disclosure.<sup>10</sup>

13 Applying the factors to this case, disclosure of economic interests is important to provide  
14 transparency and prevent conflicts of interest. Failure to report all required information on an SEI  
15 deprives the public of important information about a public official's economic interests and it has the  
16 potential to conceal conflicts of interest. While Dr. Farrukh failed to timely disclose numerous reportable  
17 economic interests on his original and amended SEIs, there is no evidence to indicate an intent to conceal  
18 this information. The evidence shows that Dr. Farrukh's late-reporting was negligent since he has been  
19 in office for nearly 20 years, and he should have known his economic reporting obligations. Upon  
20 learning of the violations during the investigation, Dr. Farrukh filed amended SEIs disclosing his  
21 interests: Dr. Farrukh filed amended Annual SEIs for 2013, 2014, 2015 and 2016 on August 16, 2017,  
22 six days before his interview with the Enforcement Division; and in preparation for the settlement of this  
23 case, Dr. Farrukh filed amendments on February 22, 2019. Dr. Farrukh cooperated fully with the  
24 investigation, and after consulting with his attorney, Dr. Farrukh signed a tolling agreement on  
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27 <sup>9</sup> § 83116, subd. (c).

<sup>10</sup> Reg. 18361.5, subd. (d).

1 March 21, 2019, tolling the statute of limitations for these violations while the parties negotiated this  
2 settlement agreement. Dr. Farrukh has no prior enforcement matters.

3 The Commission also considers penalties in prior cases involving similar violations. Recent cases  
4 with similar violations include:

5 Counts 1 through 4: Failure to Timely Disclose Interests on Statement of Economic Interests

6 *In the Matter of James Larry Minor; FPPC No. 14/1316.* Respondent, a member of the Board of  
7 Directors for the Lake Hemet Municipal Water District and for the Valley-Wide Recreation and Park  
8 District, failed to disclose his interests in business entities, real property and sources of income on his  
9 2012, 2013 and 2014 Annual Statements of Economic Interests, in violation of Government Code  
10 Sections 87206 and 87207 (6 counts). In July 2016, the Commission imposed a penalty of \$1,000 per  
11 violation.

12 In this case, as in the *Minor* case, Dr. Farrukh is an experienced public official who should have  
13 been aware of his duties under the Act to disclose all of his reportable economic interests on each of his  
14 SEIs. In this case, Dr. Farrukh failed to disclose numerous reportable economic interests on his original  
15 and amended SEIs for the AVHD Board of Directors.

16 In mitigation, Dr. Farrukh cooperated fully with the investigation, and he has no prior  
17 enforcement matters. Dr. Farrukh filed amended SEIs in anticipation of his interview with the  
18 Enforcement Division. And when he learned that information was still missing, Dr. Farrukh contacted  
19 the Commission's telephone advice line to assist him in properly disclosing his economic interests and  
20 again filed amendments. Many of the unreported interests were stock interests in business entities in  
21 which Dr. Farrukh held a less than 10% ownership interest. And similarly to the *Minor* case, no conflicts  
22 of interests were found resulting from Dr. Farrukh's unreported economic interests. Dr. Farrukh's 2017  
23 and 2018 Annual SEIs were timely filed and included itemization of his economic interests.

24 For the foregoing reasons, a total administrative penalty in the amount of \$4,000 is recommended:  
25 \$1,000 for each of Counts 1 – 4.

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1 **CONCLUSION**

2 Complainant, the Enforcement Division of the Fair Political Practices Commission, and  
3 Respondent, Abdallah Farrukh, M.D., hereby agree as follows:

4 1. Respondent violated the Act as described in the foregoing pages, which are a true and  
5 accurate summary of the facts in this matter.

6 2. This Stipulation will be submitted for consideration by the Fair Political Practices  
7 Commission at its next regularly scheduled meeting—or as soon thereafter as the matter may be heard.

8 3. This Stipulation resolves all factual and legal issues raised in this matter—for the purpose  
9 of reaching a final disposition without the necessity of holding an administrative hearing to determine  
10 the liability of Respondent pursuant to Section 83116.

11 4. Respondent has consulted with his attorney, Brian Hildreth of Bell, McAndrews &  
12 Hiltachk, LLP, and understand, and hereby knowingly and voluntarily waive, any and all procedural  
13 rights set forth in Sections 83115.5, 11503, 11523, and Regulations 18361.1 through 18361.9. This  
14 includes, but is not limited to the right to appear personally at any administrative hearing held in this  
15 matter, to be represented by an attorney at Respondents’ own expense, to confront and cross-examine all  
16 witnesses testifying at the hearing, to subpoena witnesses to testify at the hearing, to have an impartial  
17 administrative law judge preside over the hearing as a hearing officer, and to have the matter judicially  
18 reviewed.

19 5. Respondent agrees to the issuance of the decision and order set forth below. Also,  
20 Respondent agrees to the Commission imposing against him an administrative penalty in the amount of  
21 \$4,000. One or more payments totaling this amount, to be paid to the General Fund of the State of  
22 California, is/are submitted with this Stipulation as full payment of the administrative penalty described  
23 above, and they will be held by the State of California until the Commission issues its decision and order  
24 regarding this matter.

25 6. If the Commission refuses to approve this Stipulation then this Stipulation shall become  
26 null and void, and within fifteen business days after the Commission meeting at which the Stipulation is  
27 rejected, all payments tendered by Respondent in connection with this Stipulation shall be reimbursed to  
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1 Respondent. If this Stipulation is not approved by the Commission, and if a full evidentiary hearing  
2 before the Commission becomes necessary, neither any member of the Commission, nor the Executive  
3 Director, shall be disqualified because of prior consideration of this Stipulation.

4 7. The parties to this agreement may execute their respective signature pages separately. A  
5 copy of any party's executed signature page including a hardcopy of a signature page transmitted via fax  
6 or as a PDF email attachment is as effective and binding as the original.

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8 Dated: \_\_\_\_\_ Galena West, Chief, on behalf of the Enforcement Division  
9 Fair Political Practices Commission

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11 Dated: \_\_\_\_\_ Abdallah Farrukh, M.D., Respondent  
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13 The foregoing Stipulation of the parties "In the Matter of Abdallah Farrukh, M.D.," FPPC Case  
14 No. 16/071 is hereby accepted as the final decision and order of the Fair Political Practices Commission,  
15 effective upon execution below by the Chair.

16 IT IS SO ORDERED.

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18 Dated: \_\_\_\_\_ Richard C. Miadich, Chair  
19 Fair Political Practices Commission  
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