The Gardens Casino, a card room that underpins the one-square-mile city of Hawaiian Gardens, has agreed to pay $3.15 million to settle allegations brought by the California attorney general's office that the casino's operators made no mention of a federal probe and resultant $2.8-million penalty when applying to renew its license.

California Atty. Gen. Xavier Becerra's deputies had asked state regulators to revoke licenses for the casino and its owners, alleging that in September 2016 its operators falsely told state gambling authorities they have "always been engaged in honest and frank dialogue with regulators."

Casino operators neglected to mention that two months earlier, the Financial Crimes Enforcement Network, or FinCEN, had handed the casino a $2.8-million penalty for violating the Bank Secrecy Act, a federal law meant to counteract money laundering, a deputy attorney general wrote. FinCEN is a federal agency within the Treasury Department that monitors for money laundering and other financial crimes.

In exchange for keeping their licenses, the casino's owners — Cherna Moskowitz, wife of the card room's late founder, Irving Moskowitz, and Irving's son, David — agreed to pay a $3.15-million penalty and complete a two-year compliance period. The state gambling commission approved the settlement Thursday.

If the casino's license had been revoked, Hawaiian Gardens would have lost a revenue source that supplies two of every three dollars that flow to the city's General Fund, said Ernie Hernandez, Hawaiian Gardens' city manager.

The 225-table card room — the second-largest in the state — is located in Los Angeles County's smallest city. In the 2019-20 fiscal year, Hawaiian Gardens, population 14,450, budgeted for casino revenues of $13.5 million.

"For better or for worse, if this thing goes bad, we would cease to exist as a city," Hernandez said.

The state attorney general's case hinged on whether the casino was truthful when it applied to renew its state gambling licenses. Becerra's deputies alleged — and in settling, the owners acknowledged — that the casino had made no mention of the FinCEN probe into long-standing improprieties concerning how cash was being handled and tracked in the card room.

The casino agreed to pay the $2.8-million federal penalty and admitted its operators hadn't reported suspicious activity to authorities, kept shoddy records and didn't declare many large cash transactions or identify who was making them. In a document laying out the penalty, FinCEN said the failures made the casino "susceptible to money laundering and terrorist financing activity."

One patron, known to the casino only as "Michelle," was the subject of 15 FinCEN reports indicating suspicious cash transactions. She refused to provide casino employees with identification; the staff nevertheless allowed her and her "agents" to continue gambling and making cash transactions at the card room, the FinCEN document said.

The casino also flouted the requirement that it generate a currency report whenever a patron cashes in or out a sum exceeding $10,000, FinCEN found. In one incident, captured on the casino's surveillance cameras, a patron tried to cash out $14,833 and was handed an Internal Revenue Service identification form. He ripped up the form, went to the card room's "Asian VIP Section," and got another employee to cash him out without providing an ID, the FinCEN document said.

In applying to renew their licenses, the casino's operators made no mention of the FinCEN investigation, the issues it exposed or the multimillion penalty that settled it, Becerra's office said.

"There's no excuse for failing to comply with the law and deliberately attempting to mislead regulators," Becerra said in a statement. "In the gaming world, if you fail to play by the rules, expect to pay the price."

Hernandez, the Hawaiian Gardens city manager, said Becerra is trying to bring about regulatory changes to card rooms at the request of tribal casino operators. "I'm disturbed that the attorney general, who was elected by the people of California, is really catering to the tribes — who are

technically a sovereign nation," he said.

Hernandez said residents support the card club, which employs about 1,900 people not just from Hawaiian Gardens, but neighboring cities as well. "Residents remember what it's like before the card club came here," he said. "The city was literally borrowing money to pay for its own police force."

Taxpayers in the largely low-income city have supported the casino with public money as well. The casino has collected millions in city subsidies since 1995, when the gambling establishment — a charity bingo hall at the time — received the City Council's blessing for a poker parlor and $2.7 million in redevelopment funds to buy the land to build it on.

Irving Moskowitz — a Long Beach doctor turned hospital builder turned gambling magnate and prolific underwriter of the Israeli settlement movement — had taken over the modest bingo hall in 1988, after its previous operator was saddled with criminal charges. Seven years later, the city gave Moskowitz $5.5 million — only half of which he had to repay — to build a card room where gamblers would be allowed to play poker. Today, patrons can also play black jack, baccarat and pai gow at the card room's tables.

Moskowitz, who left Southern California for Miami Beach in the 1980s, died in 2016. His wife, Cherna, and son, David, are president and chief executive of the casino, respectively, according to state business records. Keith A. Sharp, an attorney representing the casino, said in a statement: "We are pleased to have this settlement finalized on behalf of the casino, our 2,000 employees and the community we support. Gardens Casino has strong procedures in place and several years ago we put in place the necessary corrective measures to ensure these issues do not reoccur."

Times staff writer Patrick McGreevy contributed to this report.

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