



Department of Justice

STATEMENT

OF

**ALBERTO R. GONZALES
ATTORNEY GENERAL
OF THE UNITED STATES**

BEFORE THE

**COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE**

CONCERNING

**“COMBATING CHILD PORNOGRAPHY BY ELIMINATING
PORNOGRAPHERS’ ACCESS TO THE FINANCIAL PAYMENT
SYSTEM”**

PRESENTED ON

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Mr. Chairman, Senator Sarbanes, and distinguished Members of the Committee, thank you for inviting me to testify before you today about the sexual exploitation of children on the Internet and the efforts of the Department of Justice and others to protect our children from this horrific abuse. In particular, Mr. Chairman, your leadership in bringing non-governmental organizations such as the National Center for Missing & Exploited Children and the Financial Coalition Against Child Pornography to attack the financial underpinnings of the commercial trade in child pornography has been absolutely critical and I thank you for your outstanding efforts in this area. Because our children are at substantial risk of being harmed by sexual predators, we must all work together and use every available means to identify, investigate, and prosecute those who use the Internet to sexually exploit our children. Indeed, protecting our children from sexual exploitation on the Internet is one of the highest priorities of the Department of Justice.

While the Internet is undoubtedly one of the greatest inventions of our generation, it has also, unfortunately, greatly facilitated the sexual exploitation of children. By providing pedophiles a cloak of anonymity, extremely rapid communications, and access to potential victims, the Internet has made it easy for pedophiles to commit these crimes and, in many cases, to profit from them. It has also enabled pedophiles to easily find like-minded offenders, creating a field of competition to see who can produce the most unthinkable photos or videos of raping and molesting children. Tragically, this has led to the victimization of younger and younger children. Moreover, by enabling pedophiles to use credit cards and other forms of payment to purchase child pornography, the Internet has greatly contributed to the commercial trade in child pornography images.

Before giving you a sense of how horrific these images actually are, let me remind you

that virtually all images of child pornography depict the actual sexual abuse of real children. In other words, each image literally documents a crime scene. These are not just “pornographic” pictures or videos. They are images of graphic sexual and physical abuse of innocent children, sometimes even babies. All Americans must recognize that child pornography is brutal, it is heinous, and it is criminal.

In working with the Federal Bureau of Investigation, the Department of Homeland Security’s Immigration and Customs Enforcement, the United States Postal Inspection Service, the Child Exploitation and Obscenity Section (CEOS) within the Department of Justice’s Criminal Division, and non-governmental organizations such as the National Center for Missing & Exploited Children, I have seen just how horrific these images can be. I have seen a young toddler tied up with towels, desperately crying in pain, while she is being brutally raped and sodomized by an adult man. I have seen videos of very young daughters forced to have intercourse and oral sex with their fathers. I have seen pictures of older men forcing naked young girls to have anal sex. These are shocking images that cry out for the strongest law enforcement response possible.

Moreover, these disturbing images are only the beginning of a cycle of abuse. Once created, they become permanent records of the abuse they depict, and can haunt the victims literally forever once they are posted on the Internet. Unfortunately, advances in technology have also made it easier and easier for offenders both to profit from these images and to distribute them to each other. Once images are posted on the Internet, it becomes very difficult to remove the images from circulation. Even more disturbing, though, is the fact that offenders rely on these images to develop plans of action for targeting their next victims, and then use the images to entice them.

The scope of these dangers facing our children is immense. By all accounts, at any given

time, there are thousands of predators on the Internet prowling for children. And you can get a sense of the explosive increase in child pornography fueled by the Internet from the fact that from 1998 to 2004, the National Center for Missing & Exploited Children's CyberTipline experienced a thirty-fold increase in the number of child pornography reports.

The challenge we face in cyberspace was underscored by a new national survey, released in August 2006, conducted by University of New Hampshire researchers for the National Center for Missing & Exploited Children. The study revealed that a full third of all kids aged 10 to 17 who used the Internet were exposed to unwanted sexual material. Much of it was extremely graphic.

The survey also revealed, however, that we are making progress. It found that there has been some reduction in the number of children who have received an online sexual solicitation. One in seven children surveyed this time had received an online sexual solicitation, which is a six percent improvement over the one in five children who received such solicitations in the last survey, conducted five years ago. We are hopeful that this means that parents and kids are becoming more aware of the dangers online, and more responsible in the way they use the Internet. That said, we still have a lot of work to do. One in seven kids receiving solicitations is one in seven too many. And this most recent survey showed that there has been no letting up of aggressive online sexual solicitations, where the most depraved of the pedophiles actually try to make in-person contact with a child.

Now that I have given you an overview of the scope of the problem, let me turn to how the Department of Justice, Congress, and non-governmental organizations are dealing with it. We at the Department of Justice have dramatically increased our efforts in this area over the last decade. Indeed, over the last decade, the Department has significantly increased its efforts by dramatically increasing the number of prosecutions of child exploitation crimes. Many of these

cases include a financial component, with defendants profiting from the exploitation of children.

While the dramatic increase in the number of prosecutions is an indicator of the importance of this issue to the Department of Justice, it is but one indicator. In addition to increasing the number of investigations and prosecutions it brings, the Department is constantly seeking to improve the quality and impact of its cases by adapting to the ever-changing methods by which the predators seek to purvey these images and evade detection by law enforcement. In order to have maximum impact, we are focusing our efforts on the producers and the commercial and mass distributors of this material. In addition, we continue to undertake wide-ranging prosecutions of the possessors and customers of child pornography.

An excellent example of how one child pornography investigation into the activities of individuals involved in a commercial website operation can lead to the apprehension of hundreds of other offenders is the Regpay case. This case was prosecuted by the United States Attorney's Office for the District of New Jersey, working together with CEOS, and ultimately led to Immigration and Customs Enforcement's (ICE) Operation Falcon. Regpay was a Belarus-based company that provided credit card processing services to hundreds of commercial child pornography websites. Regpay contracted with a Florida company, Connections USA, to access a merchant bank in the United States. In February 2005, several Regpay defendants pled guilty to various conspiracy, child pornography, and money laundering offenses. Connections USA and several of its employees also pled guilty in connection with this case. After exploiting customer information associated with the Regpay websites, ICE launched Operation Falcon, an international child pornography trafficking investigation. As a result, ICE was able to generate numerous additional leads identifying offenders who had purchased child pornography from the Regpay websites. In partnership with the Department of Justice, as of June 2006, Operation Falcon has resulted in 318 open investigations, 371 domestic and approximately 703 foreign

arrests, and 285 indictments, generating 290 convictions.

Another recent success is the case of *United States v. Mitchel*, investigated by the Federal Bureau of Investigation and prosecuted by the Child Exploitation and Obscenity Section in conjunction with the United States Attorney's Office for the Western District of Virginia. This case involved a defendant who operated child pornography websites that sold membership subscriptions to offenders looking to obtain videos of minor boys engaging in sexually explicit conduct. Those seeking access to these child pornography websites primarily used credit cards to purchase access using links on the websites to a commercial credit card processing company. The defendant was sentenced on July 14, 2006, to 150 years in prison based on his guilty plea to offenses involving the production, distribution, sale, and possession of child pornography. In addition, the owner of the commercial credit-card processing company has been indicted, and is currently pending trial.

United States v. Schiffer, prosecuted by CEOS together with the United States Attorney's Office for the District of Columbia, is a recent example of our success in prosecuting high-technology offenders. This case was part of CEOS's High Technology Investigative Unit's file-server initiative and was investigated by the Federal Bureau of Investigation. The defendant pled guilty in October 2005 to one count each of using his computer to advertise, transport, receive, and possess child pornography. By operating his personal computer as a file server, he allowed selected files to be downloaded and uploaded by the public to and from his computer. He even published on the Internet an advertisement aimed at young boys to get them to photograph themselves or other boys, so he could obtain more sexually explicit images that he could collect and then disseminate. When authorities executed a search warrant on the Washington home of 34-year-old Bruce Schiffer, they found not only several computers – and the files on plenty of his trading partners – but also more disturbing material. In his bedroom

were two boxes of catalogued correspondence he had with about 160 prison inmates, most of whom had either sexually assaulted or murdered children. In his letters, he discussed his “desire to rape children” – preferably boys between 6 and 16. Schiffer also wrote in detail about taking in runaways and “making use of them.” Investigators also found a clown suit and a printed-out Mapquest route from his place of work to a boys’ shelter. On August 30, 2006, Schiffer was sentenced to 25 years in prison for the high tech advertising and distribution of more than 10,000 images of child pornography. Upon his release, the defendant will be required to abide by strict conditions of no computer use except in the context of authorized employment, no possession of pornographic images, and supervision by a probation officer for life.

When imposing the sentence, Judge Paul L. Friedman captured the devastating impact of the defendant’s crimes in a few words: “by advertising and exchanging these images, the defendant was expanding the market for child pornography, and that market is made up of kids who are being exploited, and thus it is damaging to the whole community of children.” We at the Department of Justice could not agree more with Judge Friedman.

Through Project Safe Childhood, an initiative that I launched earlier this year, we are constantly expanding our efforts to address the sexual exploitation of children on the Internet and the financial underpinnings of this exploitation through Project Safe Childhood. Project Safe Childhood will help law enforcement and community leaders develop a coordinated strategy to prevent, investigate, and prosecute sexual predators, abusers, and pornographers who target our children. This initiative to protect our children is a strong, three-legged stool: one leg is the federal contribution led by United States Attorneys around the country; another is state and local law enforcement, including the outstanding work of the Internet Crimes Against Children task forces funded by the Department’s Office of Justice Programs; and the third is non-governmental organizations, like the National Center for Missing and Exploited Children -- without which we

would not have the Cybertipline and victim advocates.

None of our efforts can stand alone. All must involve high levels of sharing and coordination. That is what Project Safe Childhood is all about. I have asked every United States Attorney to take the lead on implementing Project Safe Childhood with local partners in their communities. They will each begin with three major steps to put this important program into action.

The first step is to build partnerships and capitalize on the experience of our existing partners. U.S. Attorneys will engage everyone with a stake in the future of our children. Together, they will inventory the unique nature of the challenge and the resources available in the community. Second, these partners will work together as U.S. Attorneys develop a strategic plan for Project Safe Childhood in their area. Third, we will ensure accountability by requiring semi-annual progress reports. We want to know that Project Safe Childhood is having a measurable impact in terms of locking away criminals and identifying and rescuing child victims.

Congress has also provided invaluable support for our efforts by passing the Adam Walsh Child Protection and Safety Act of 2006. The Adam Walsh Act, signed by the President in July, will help us keep our children safe by preventing these crimes and by enhancing penalties for these crimes across the board. It mandates sex offender registration and it has teeth. The Act enhances penalties and helps us keep sex offenders away from our kids after they have been released from prison. This historic legislation also included two key provisions that bolster the administrative underpinnings for the efforts at the Department of Justice to protect children:

First, the new law establishes the Sex Offender Sentencing, Monitoring, Apprehending, Registering and Tracking Office, and it assigns the Office numerous important functions relating to the sex offender registry. The SMART Office will be led by a Presidentially-appointed

Director. We are working now to establish this Office.

Second, the new law provides statutory authority to the Justice Department's Project Safe Childhood initiative, launched earlier this year. We very much appreciate Congress's expression of support for this key initiative. In particular, I would like to personally thank Senator Santorum, a member of this Committee, for his leadership, support, and vision in authoring the Project Safe Childhood authorization language in the Walsh Act.

Let me turn now to the invaluable contributions of non-governmental organizations in the fight against child sexual exploitation on the Internet. As you know, non-governmental organizations such as the National Center for Missing & Exploited Children have played a lead role in educating the public concerning the risks of child sexual exploitation on the Internet. While much work remains to be done, the public is undoubtedly much more aware of these terrible crimes now than even five years ago. Much of the credit for increased public awareness is due to the efforts of non-governmental organizations. Moreover, they also deserve the lion's share of the credit for facilitating the reporting of child sexual exploitation offenses and for locating and rescuing the victims. For example, the National Center for Missing & Exploited Children's CyberTipline enables the public to report these crimes, and its Exploited Child Unit identifies and locates children depicted in these images so they can be rescued.

But non-governmental organizations do much more. The Financial Coalition Against Child Pornography consists of financial institutions and Internet industry leaders, together with the National Center for Missing & Exploited Children and its sister organization, the International Centre for Missing & Exploited Children, who are committed to eradicate commercial child pornography on the Internet. As I mentioned earlier, the Internet has expanded the commercial child pornography trade by allowing pedophiles to purchase access to child pornography websites using credit cards or other payment methods. The Financial Coalition is

working to stop the use of credit cards and other payment methods to purchase child pornography. When it discovers such use, it provides relevant information to the appropriate law enforcement agency. I understand from our law enforcement counterparts at the Department of Homeland Security's Immigration and Customs Enforcement that the information provided is assisting in critical investigations currently underway. Federal law enforcement has also used the Financial Coalition's new process to create a useful criminal intelligence database related to commercial child pornography websites, which is now fed by the transaction process, and a "clearinghouse" or de-confliction vehicle for these agencies and others outside the United States. We look forward to the continued development of the Financial Coalition's efforts to prevent the misuse of credit cards and other payment methods to purchase or sell child pornography, and to the continued development of the partnership between the Financial Coalition and federal law enforcement.

The Financial Coalition would not exist without the leadership and vision of the Chairman of this Committee, Senator Shelby, who was the catalyst in bringing industry leaders together to address this serious problem. Mr. Chairman, please accept my thanks on behalf of the Department of Justice for your critical role in creating this vital non-governmental organization.

While we obviously have come far in the fight against child sexual exploitation on the Internet, we still have far to go. As we've looked at ways to improve the law enforcement response to the problem of online exploitation and abuse of children, one thing we are examining is the retention of records by communications service providers. Several months ago, I established a working group within the Department of Justice that is looking at this issue.

I would like to briefly mention four legislative proposals that the Department of Justice recently transmitted to Congress. The first would strengthen 42 U.S.C. § 13032, which requires

Internet Service Providers to report violations of child pornography laws, by increasing the criminal penalties for knowing and willful failure to do so, and also establishing a new civil penalty for negligently failing to do so. The second would require warning labels to be placed on commercial websites containing sexually explicit material. The third would extend administrative subpoena power currently available under 18 U.S.C. § 3486 to obscenity investigations. And the fourth would add violations of 18 U.S.C. §§ 2252A and B as predicates for RICO and money laundering charges. I invite you to consider these proposals, which in our opinion will bolster our efforts in this area.

Additionally, we have learned that a greater federal response to child sexual exploitation on the Internet is needed in some states and localities because of insufficient criminal laws, weak sentencing schemes, or inadequate resources to provide meaningful punishment to child exploiters and abusers. So while we will do all we can at the federal level, and utilize partnerships to their fullest, we also strongly encourage state legislatures to look at the laws they have on the books and make them stronger if need be. The vast majority of states have done this, and legislators are to be commended, but adequate protections are not universal and they need to be. In particular, in states where it is not already the law, the possession of child pornography – even without the intent to distribute – should be made a felony. And some states need to increase the sentences available for certain kinds of abuse and exploitation.

Our fight against the proliferation of child sexual exploitation on the Internet does not stop at our borders, either. It demands a global strategy. This makes it imperative that we pay attention to the laws governing child sexual exploitation in other nations. Many countries have astonishingly lenient punishments for child pornography offenses. For instance, in several nations the production of child pornography is punished with only a fine or imprisonment of less than six months or a year. Simple possession is punishable merely by a fine. Just as we need

some states to strengthen their laws to punish child sex offenders, we must encourage some foreign lawmakers to strengthen their laws as well, including those concerning the financial components of these crimes.

In conclusion, protecting children from sexual exploitation on the Internet is one of the Department of Justice's highest priorities. I am grateful that you share our commitment. In particular, I again would like to thank the Chairman of this Committee, Senator Shelby, for his leadership in establishing the Financial Coalition Against Child Pornography, and Senator Santorum, a member of this Committee, for his leadership in authoring the provision in the Adam Walsh Act authorizing the Department's Project Safe Childhood initiative. Their exemplary actions have truly shown the depth of their commitment to protecting our children from this horrific abuse.

Mr. Chairman, thank you and the Committee for the opportunity to speak to you today, and I would be pleased to answer any questions the Committee might have.