

POSTAL SERVICE**39 CFR Parts 111 and 501****Manufacture, Distribution, and Use of Postage Meters**

AGENCY: Postal Service.

ACTION: Final rule.

SUMMARY: This final rule clarifies and amends the standards in the Domestic Mail Manual (DMM) and the Domestic Mail Manual Transition Book (DMMT) regarding the manufacture, distribution, and use of postage meters.

This final rule adopts most of the proposed changes to the standards governing the manufacture, distribution, and use of postage meters as published by the Postal Service in the **Federal Register** on January 31, 1995 (60 FR 5964-5995). The final rule also allows the Postal Service to tighten its controls over meters and to protect postal revenue more efficiently. The changes are designed to increase the information available to the Postal Service for effective management and control of the meter program. In addition, security controls are being supplemented to ensure that correct postage is paid and that postage meter misuse is minimized.

EFFECTIVE DATE: This rule is effective June 30, 1995, except for §§ 501.22(b) and 501.22(e)(2), which are effective January 2, 1996.

January 2, 1996, is the effective date for the electronic transmission of license applications and centralized application processing. (In this document, see DMM P030.2.1, Procedures and DMM P030.2.3, Refusal to Issue Meter License.

January 2, 1996, is the effective date for the use of revised PS Form 3601-A, Application for a License to Lease and Use Postage Meters, and PS Form 3601-C, Postage Meter Installation, Withdrawal, or Replacement. (In this document, see Exhibit B, Exhibit C.

June 30, 1995, is the effective date for the use of the new security seals; however, implementation will depend on the availability from the Postal Service's supplier.

(In this document, see 39 CFR 501.20 Keys and setting equipment and 39 CFR 501.25(b)(5) Inspection of meters in use)

FOR FURTHER INFORMATION CONTACT: Nicholas S. Stankosky, (202) 268-5311.

SUPPLEMENTARY INFORMATION: On January 31, 1995, the Postal Service published a notice of proposed rulemaking for public comment in the **Federal Register** (60 FR 5964-5995) to revise existing standards in the Domestic Mail Manual (DMM) and Domestic Mail Manual Transition Book

(DMMT) regarding the manufacture, distribution, and use of postage meters. Moreover, this proposed rule would introduce new regulations in title 39, Code of Federal Regulations (CFR), to clarify postal standards for the manufacture and distribution of postage meters.

The proposed rule detailed efforts undertaken by the Postal Service to adopt new standards for postage meters that satisfy and protect the interests of the users, manufacturers, and the Postal Service. These standards are designed to improve meter security through new rules on design deficiencies, manufacturers' inspections, refunds, meter licensing, missing meters, shipment of meters, security seals, meter labeling, and meter testing. The new rules also establish administrative controls and make adjustments to the Computerized Remote Postage Meter Resetting System (CMRS).

The Postal Service requested that comments on the proposed rules be submitted by March 17, 1995. Twelve written comments were received from interested companies and individuals. Having given thorough consideration to these comments, the Postal Service now adopts its final rule.

The Postal Service's evaluation of the comments follows. Because the regulations fall into four categories (meter security, administrative controls, other issues, and Computerized Remote Postage Meter Resetting System), the comments are organized into four sections in the comment section under these four categories. In addition, a fifth section in this comment section addresses general comments separately. The sixth section discusses specific revisions to the Domestic Mail Manual, Domestic Mail Manual Transition Book, and title 39, Code of Federal Regulations, part 501, followed by tables summarizing the revisions.

The revised regulations are published herein in their entirety. Applicable modifications to the proposed regulations, based on the comments received, are referenced in each section and summarized at the end of the comment section. Otherwise, the rules are adopted as proposed. The numbering scheme shown in the section titled Discussion of Comments reflects the scheme published in the **Federal Register** for the proposed rule (60 FR 5964-5995).

Discussion of Comments**I. Meter Security**

Meter security pertains to integrity weakness and design deficiencies; meter manufacturers— inspections; custody of

suspect meters; missing meters; security seals; and meter labeling. Prompt notification of all potential security weaknesses identified in a particular meter or class of meters is necessary to protect postal revenue. The Postal Service depends on manufacturers to identify and notify the Postal Service of any potential security weakness and to maintain proper distribution controls. The Postal Service therefore adopts with this final rule new requirements for reporting by manufacturers. The Postal Service will impose administrative sanctions against manufacturers that do not comply with these reporting and distribution requirements.

A. Integrity Weakness and Design Deficiencies

One commenter expressed concern about the meter security regulations proposed in 39 CFR 501.13 and 501.14. The commenter stated that the Postal Service is placing undue emphasis on meter design for revenue security.

The Postal Service notes that postage meters must protect against tampering and misuse. The Postal Service must emphasize the importance of meter security to reduce the threat of revenue losses to the greatest extent possible.

This commenter also believed that the proposed regulations fail to address adequately the importance of mailer profile and Postal Service in-plant verification as critical components of a secure postal payment system.

The commenter's point is well-taken. The new rules do take account of the importance of mailer profiles. For example, inspection frequencies in 39 CFR 501.25 are based on the characteristics of particular meters and on the mailer's profile. Additionally, in-plant verification of the makeup of metered mail is done during the acceptance process, and metered indicia are sampled at destinating post offices.

The commenter also stated that the proposed regulations are more a predicate for imposing penalties on meter manufacturers than an efficient means to improve security and that the Meter Accounting and Tracking System (MATS) is being developed with no assurance of operational efficiency or cost-effectiveness.

The Postal Service does not accept the commenter's view that the rules are a predicate for imposing penalties or that penalties are contemplated. Rather, these rules place more responsibility for security and revenue protection on those who manufacture and distribute postage meters. The new sanctions are remedial in nature, and, ideally, the Postal Service should never have to impose administrative sanctions. MATS

does not pertain to the proposed rulemaking in the **Federal Register** notice published on January 31, 1995; therefore, it is not appropriate for the Postal Service to address MATS in this notice.

One commenter stated that one postal official had previously expressed that proposed 39 CFR 501.13, which establishes the manufacturer's duty to report integrity weaknesses and design deficiencies, would apply only to security defects or weaknesses of design in a particular meter or model of postage meter. The commenter further suggested that the rule should not apply to information or knowledge received by a manufacturer relating to postage-meter tampering by a customer or to other potential security breaches unrelated to the design and operation of a postage meter.

The requirements for reporting security weaknesses and methods of meter tampering are directly related to the manipulation of the meter made possible because of design deficiencies. The manipulation of a meter in and of itself is evidence of a security weakness of the manufacturer's product. It is the manufacturer's obligation to report those incidents in which misuse occurs because someone can take advantage of such deficiencies. Additionally, the collection of this information will increase manufacturer's awareness of a problem with meter performance. The number of reported instances will help in determining the extent or seriousness of the situation.

One commenter noted that the standards in 39 CFR 501.13 do not provide sufficient clarity and due process regarding what needs to be reported.

The standards in 39 CFR 501.13 define the information that must be provided in general terms. If there is any doubt about information that must be reported, the Postal Service invites interested parties to submit requests for advisory opinions on an ad hoc basis.

The same commenter also stated that the standards in 39 CFR 501.14 and 501.23 lack sufficient clarity and ascertainable standards for imposing administrative sanctions.

The Postal Service sees no reason for including additional standards. The sanctions in these sections merely allocate the risk of loss entirely to the manufacturer only when the manufacturer fails to execute certain prescribed tasks. Once facts underlying the violation and costs and losses are proved, the manufacturer is held liable for costs and losses. Except as provided in these sections, no other factors are

considered, and thus no additional standards need be prescribed.

The same commenter also stated that 39 CFR 501.14 is arbitrary because it does not relate the sanction to losses actually caused by an alleged failure to report. The commenter suggested that the rule measure losses from the date when the defect should have been reported rather than the date of discovery.

The Postal Service does not agree. Sanctions are measured from the date when the manufacturer knows or should know information giving rise to the duty to report; hence, the measurement of damages and of duty to report are rationally related.

The commenter also stated that the proposed regulations would promote manufacturers' filing of numerous inconclusive reports to avoid liability. According to the commenter, such filings would place unnecessary strain on limited Postal Service resources and increase manufacturers' administrative costs. The commenter recommended that the Postal Service require manufacturers to report only those design deficiencies that, following testing, cause the manufacturer to conclude that a security threat exists.

The proposed regulations clearly articulate the manufacturer requirements for "preliminary" and "final" reporting. These requirements cover a substantial list of situations and occurrences relating to possible meter misuse. To limit reporting as the commenter suggested would undermine the ability of the manufacturers and the Postal Service to maintain control of the program. Although there might be some additional cost incurred by both parties, the risk of revenue losses would increase if the suggestion were adopted.

One commenter stated that the term "employees" should be deleted from the definition of manufacturer under 39 CFR 501.13(a). The definition of employee should be limited to the officers and those management employees of the manufacturer who have meter security responsibilities.

The Postal Service expects that each individual employed by a meter manufacturer is already charged with the responsibility to report meter security problems to the manufacturer's headquarters unit. To limit the definition as suggested would reduce the possible number of available sources of pertinent information. Field employees are important sources of information because they see meters in a live environment.

The commenter also suggested that the term "findings" should be deleted from 39 CFR 501.13(b)(1). Because

findings must be based on test results, the commenter believed that the term "findings" is unnecessary and will result in the filing of superfluous reports and in contributing to confusion about when the meter manufacturer's obligation to report arises.

The Postal Service does not accept the commenter's narrow reading of the term "findings," which refers to the discovery, awareness, determination, or perception of information relating to all meter activities. The term is not limited to those situations surrounding meter-testing results. Findings in the field are just as important as testing results because they enable on-site evaluations of meter performance and mailer practices.

One commenter believed that manufacturers should be required to file reports on security issues only when they concern common security design features present in meters approved for use in the United States. The commenter suggested that the scope of the rule be narrowed so that the manufacturer need only report information about meter security when a meter model in use in foreign jurisdictions is subsequently submitted to the Postal Service for approval.

The Postal Service does not agree; it must be apprised of problems relating to all postage meters of the authorized manufacturers, regardless of where the meters have been approved for distribution. Because all meters share many of the same components, a problem discovered in a foreign location may provide useful information about a meter approved for use in the United States.

B. Meter Manufacturers' Inspections

One commenter expressed concern about the meter security regulations proposed in 39 CFR 501.5 and 501.23. The commenter believed that high-volume and high-risk mailers are not clearly identified for increased meter inspections. The commenter recommended that the Postal Service identify these mailers by the Standard Industrial Codes for third-party mailers.

A high-volume mailer is defined as one who has annual metered postage exceeding \$12,000. Part B "Business Profile" of the license application (PS Form 3601-A) asks the applicant to report his or her annual estimated metered postage. The report is incremented to show usage exceeding \$12,000. This information can be used initially to identify high-volume mailers. Manufacturers may use the Standard Industrial Codes for third-party mailers, other codes as appropriate, and their own mailer

records for the identification of high-volume and high-risk mailers.

C. Custody of Suspect Meters

No comments were received.

D. Missing Meters

No comments were received.

E. Shipment of Meters

Four commenters expressed concern about the meter security regulations proposed in 39 CFR 501.22 and 501.23 and in DMM P030.2.9. One commenter believed that only meters destined for customers should be shipped by registered mail. Another commenter stated that the criteria for exceptions and implementation schedules for shipping meters by registered mail must be developed. This commenter was concerned with the lengthy process for tracing registered mail. A third commenter stated that there is no justification for the mandated use of registered mail, and another commenter stated that the requirement to use registered mail is costly and unjustified.

All postage meters are capable of printing postage indicia for services to be rendered by the Postal Service. Meters must accordingly be kept out of the hands of unauthorized individuals who might misuse the meter. Therefore, the rule applies to all meter shipments regardless of destination to ensure security and safety. The regulation permits the manufacturers to use alternative delivery carriers that offer the same level of security as registered mail. However, the requirement for use of registered mail is retained in the final rule.

F. Security Seals

Two commenters expressed concern about the meter security regulations proposed in 39 CFR 501.20. One of these commenters had no objection to the proposed use of the seals but expressed concern about the added cost to manufacturers. The other commenter believed that the new seal was incompatible with one of its meter products.

Because the manufacturers lease meters and the Postal Service does not collect fees from the manufacturers or licensees, the cost of the new seals should be borne by the manufacturers as a cost of doing business. The new seals are being slightly modified in size to accommodate all postage meters.

G. Meter Labeling

One commenter expressed concern about the meter security regulations proposed in 39 CFR 501.22(r) and 501.23 and in DMM P030.2.4(g). The

commenter stated that the Postal Service has not allowed sufficient time to complete meter labeling.

The manufacturers were originally notified of the labeling requirements in August 1993 and have been given a reasonable time in which to comply. Manufacturers are expected to have meter labeling completed by the effective date of these regulations.

H. Postage Meter Testing

No comments were received.

II. Administrative Controls

The administrative controls include postage meter refunds; use of PS Form 3602-A; meter licensing procedures; performance regulations; suspension and revocation; and installations and withdrawals. The Postal Service is establishing new procedures to enhance control over electronic meter register refunds and to expedite the refund process.

A. Postage Meter Refunds

No comments were received.

B. Use of PS Form 3602-A

Five commenters expressed concern about the standard proposed in DMM P030.2.4(b) requiring that meter users maintain a daily record of meter register readings (PS Form 3602-A). The commenters did not understand the need for this standard and believed that it would impose a hardship on small businesses. Another commenter believed that a reasonable transition period be allowed to supply the form to mailers and instruct them on its use.

These comments have merit; however, the form is a valuable document in substantiating the amount of refunds to be issued. The use of PS Form 3602-A will continue to be voluntary. In the event that a meter malfunctions and a customer has not maintained the PS 3602-A or its equivalent, the customer may not be eligible for a refund of the amount claimed. Current regulations are modified to reflect the Postal Service recommendation that the form be maintained by meter users. DMM P030.2.4(b) is revised accordingly in the final rule.

C. Meter Licensing Procedures

Three commenters expressed concern about the procedures proposed in 39 CFR 501.22(b) and 501.22(e) and in DMM P030.1.9, P030.2.2, P030.2.3, and P030.2.4. One commenter stated that customer-requested information on meter applications should be limited because of mailer privacy and the placement of an undue administrative

burden on the applicant and the Postal Service system.

The mailer privacy issue is being addressed in proposed modifications to the Postal Service Administrative Support Manual and will be published in a separate **Federal Register** notice.

The commenter also recommended that the Postal Service be required to issue a decision on an appeal within 10 days after the appeal is filed with the Postal Service.

In some cases, time is needed to conduct additional research. Consistent with this objective, the commenter's recommendation to limit the decision process for appeals to 10 days is not reasonable. It is the intention of the Postal Service to act as quickly as possible on appeals without sacrificing the fact-finding effort required to render a fair decision.

One commenter suggested that the format for the meter license be reevaluated to make it less intimidating.

The new license application was reviewed by meter users in six customer focus groups before the issuance of the proposed changes. Invariably, the meter users acknowledged the reasonableness of the requirements for additional applicant information and stated that the proposed application would not be burdensome to complete. However, the statement pertaining to the penalties for submission of a false, fictitious, or fraudulent statement is deleted.

Another commenter believed that clarification is required on the options for submitting licenses.

The two options for submission of a meter license application are clearly stated in DMM P030.2.1, which pertains to meter license procedures.

This same commenter believed that implementation of new licensing procedures is inappropriate at this time because requirement and implementation issues are still undefined.

As stated above, the effective date for the electronic transmission of license applications, use of the revised PS Form 3601-A, and centralized application processing is January 2, 1996. Before this implementation, the Centralized Meter Licensing System (CMLS) requirements will be published in the **Federal Register** for public review and comment.

One commenter stated that the new licensing procedures constitute a form of worksharing that should result in some form of compensation to the meter manufacturers.

CMLS is essential for the effective control and management of applications and licenses. The Postal Service does not agree that this cooperative effort

with the manufacturers, which will result in serving customers better, constitutes a form of worksharing for which compensation should be made. Manufacturers are engaged in a profit-making enterprise and must incur some costs as the price of doing business. The Postal Service, on the other hand, collects no fees for processing meter applications from either manufacturers or licensees.

One of the same commenters noted that MATS was not addressed in the proposed regulations.

MATS does not pertain to these regulations because it is a separate system being developed and implemented by another department within the Postal Service.

D. Performance Regulations

No comments were received.

E. Suspension and Revocation

One commenter stated that the criteria on which the Postal Service may suspend or revoke a meter manufacturer's authorization under 39 CFR 501.5 or approval of a meter under 39 CFR 501.12 fail to provide clear and ascertainable standards to guide meter manufacturer conduct or Postal Service decisionmaking. In the commenter's view, 39 CFR 501.5 authorizes the Postal Service to revoke a meter manufacturer's authorization based on potentially minor violations and in a manner not readily amenable to judicial review. The commenter suggested that suspension under 39 CFR 501.5 be imposed only when the Postal Service determines that a manufacturer has committed serious or persistent violations.

With respect to 39 CFR 501.5, the Postal Service refers the commenter to paragraph (b) of that section, which clearly sets forth the criteria in forming a decision to suspend or revoke. One of these factors is the "nature and circumstances of the violation." This factor enables the Postal Service to consider the seriousness of the violation in determining whether to suspend or revoke a manufacturer's authorization. Thus, if the violation is not serious, the sanction imposed, if any, can be narrowly tailored to fit the circumstances.

With respect to 39 CFR 501.12, the Postal Service refers the commenter to paragraph (a) of that section, which establishes the criteria to be evaluated when determining to suspend approval to manufacture or distribute a meter or class of meters. The rule clearly provides that decisionmaking will be based on the potential risk to postal revenue. Thus, the rule contemplates

that when the risk to postal revenue is high in terms of amount and probability of loss, a suspension is more likely; when the amount at stake and probability of loss are low, suspension is less likely.

One commenter suggested that the standard of proof required by the Postal Service to suspend or revoke a meter manufacturer's authorization be raised to "clear and convincing evidence" instead of "preponderance of evidence."

The Postal Service does not subscribe to the commenter's view. First, the Postal Reorganization Act (Pub. L. No. 91-375, 84 Stat. 719 (1970)) is silent on regulation of the meter industry, and there is no suggestion in the legislative history that a standard of proof higher than a preponderance of the evidence was ever contemplated in this context, much less intended. Nor is the nature of the proceeding and parties affected similar to those in which courts have imposed a higher standard. The U.S. Supreme Court has generally required proof by clear and convincing evidence where "particularly important individual interests or rights are at stake," such as the potential deprivation of individual liberty, citizenship, or parental rights. *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389 (1983). Such compelling individual interests are not present here.

Second, adoption of the commenter's proposal would, in essence, express a preference for the manufacturers' interests. The balance of interests here, however, warrants use of the preponderance standard. Postal Service revenue is placed at risk when manufacturers fail to execute their responsibilities in accordance with postal regulations. As experience demonstrates, this risk is not insubstantial. Ratepayers ultimately bear the cost of covering these losses. The interests of the manufacturers are thus outweighed by the interests of the Postal Service and ratepayers in protecting postal revenue.

One commenter stated that the Postal Service does not have the statutory authority to impose punitive sanctions.

The Postal Service does not accept the commenter's suggestion that express statutory authority is a prerequisite to the Postal Service's imposition of administrative sanctions in this context. In enacting the Postal Reorganization Act, Congress delegated broad rulemaking authority to the Postal Service to manage its operations. Largely absent from the Postal Reorganization Act are provisions establishing detailed postage payment programs. Prior to the enactment of the Postal Reorganization Act, Congress

established that postage could be paid by meter. This statutory framework was eliminated by the Postal Reorganization Act, leaving no specific statutory authority for any meter program. Rather than addressing the specific methods of payment of postage available to ratepayers, the Postal Reorganization Act merely provides that the Postal Service has the power "to prescribe, in accordance with [title 39], the amount of postage and the manner in which it is to be paid" and "to provide such other evidences of payment of postage and fees as may be necessary or desirable." 39 U.S.C. 404(a)(2), (4). Accordingly, the Postal Reorganization Act evinces the intent of Congress to divest itself of the details of postage payment systems, including meters, and to delegate to the Postal Service the responsibility for establishing and maintaining programs for postage payment systems and their attending regulatory schemes. It is therefore implicit from the text of the Postal Reorganization Act that Congress delegated to the Postal Service authority to promulgate a regulatory scheme for the postage meter program without need for express statutory authority establishing the postage meter program.

Notwithstanding, in the view of the Postal Service the proposed administrative sanctions are not penalties because only make-whole relief is contemplated. As such, no express statutory authority is required. See *Gold Kist v. U.S. Dep't of Agriculture*, 741 F.2d 344, 347-48 (11th Cir. 1984), amended in part, 751 F.2d 115 (11th Cir. 1985); *Frame v. United States*, 885 F.2d 1119, 1142 (3d Cir. 1989), cert. denied, 493 U.S. 1094 (1990). Both the *Frame* and *Gold Kist* courts generally held that agencies have the power to impose administrative sanctions that are not penalties if the sanctions are remedial and reasonably related to the purposes of the enabling statutes. If the purpose of an administrative sanction is "not to stigmatize or punish wrongdoers," the sanction is remedial rather than punitive. *Frame*, 885 F.2d at 1143 (citing *West v. Bergland*, 611 F.2d 710, 722 n.14 (8th Cir. 1979), cert. denied, 449 U.S. 821 (1990)).

The proposed regulations at issue here are strictly remedial. Their purpose is not to punish or stigmatize manufacturers; rather, they serve to make the Postal Service whole for its losses attributable to manufacturers' products or conduct. Indeed, the Postal Service does not seek to recover any amount exceeding its costs or losses, net of any amount collected by meter users. The proposed sanctions merely permit the Postal Service to collect a fair

approximation of its costs and revenue losses and thus establish a method for allocating the risk of loss of Postal Service revenue.

One commenter stated that the temporary suspension under 39 CFR 501.5(c) and 501.12(b) should not be permitted to be extended more than 120 days for further investigation in the absence of clearly articulated good cause or the manufacturer's consent.

In response, the Postal Service notes that a good cause showing is implicit in the rule. Under 39 CFR 501(c)(4), the Postal Service must decide the disposition of a suspension at the end of a 90-day period. At such time, the Postal Service must withdraw the suspension, make a determination to revoke authorization, or extend the suspension either to allow more time for investigation or to permit the manufacturer to correct the problem. Thus, a suspension may extend beyond 90 days only if the Postal Service demonstrates good cause for its continuation, e.g., additional time is needed to investigate or the manufacturer needs additional time to correct the problem.

The commenter also suggested that the Postal Service lift a suspension under 39 CFR 501.5(c)(3) immediately upon the implementation of a solution to the problem that originally gave rise to the suspension.

The language in 39 CFR 501.5(c)(3) implicitly incorporates the standard in 39 CFR 501.5(c)(4)(iii) that a suspension is withdrawn before the close of the 90-day period upon the manufacturer's identification and implementation of a satisfactory solution. The final rule is revised to clarify this cross-reference. The parallel provision in 39 CFR 501.12(b)(3) is also revised.

One commenter stated that 39 CFR 501.5, 501.12, 501.14, and 501.23 do not expressly provide for separation of function in the adjudication of alleged violations. The commenter also proposed that the rules clarify that such appeals will be decided by an officer who is independent of the initial decisionmaking.

The Postal Service recognizes the importance of maintaining the integrity of the decisionmaking process. To maximize resource flexibility, however, the Postal Service has determined to address this concern on an ad hoc basis. In cases in which the decisionmaker has participated in the investigation, the adjudication will be handled by an alternative decisionmaker.

F. Installations and Withdrawals

One commenter believed that the meter installation/withdrawal report (PS

Form 3601-C) should be redesigned or not implemented until the Meter Accounting and Tracking System is on-line. Another commenter recommended that the format and details required on PS Form 3601-C be tested in the field.

The Postal Service will require the use of PS Form 3601-C effective January 2, 1996, when the Centralized Meter Licensing System is implemented.

III. Other Issues

Other issues concern the taking of a meter outside the United States; licensee reporting of faulty or defective meters; quarterly meter reports; Postal Service examination of meters; and training media.

A. Taking a Meter Outside the United States

One commenter noted that the regulations for taking a meter outside the United States do not address the exceptions for government agencies and military branches.

DMM P030.2.2 provides that meters may be taken outside the United States, its territories, and its possessions with the express consent of the Postal Service. This provision applies to government agencies and military branches.

B. Licensee Reporting of Faulty or Defective Meters

No comments were received about this section.

C. Quarterly Meter Reports

No comments were received about this section.

D. Postal Service Examination of Meters

Three commenters stated that the requirements for the examination of meters that have not been reset within 3 months are excessive and inconvenient to customers. It is their opinion that a 6-month cycle is more appropriate. In addition, one commenter suggested that for CMRS meters, periodic calls be made to the manufacturers' data center instead of meter inspections.

The Postal Service does not agree that the requirement for the examination of those meters not reset within 3 months is excessive or especially burdensome to licensees. To extend the period would greatly increase the period of time before the Postal Service might identify tampering or misuse. Mailers who participated in the focus group discussion on this subject expressed no concerns on this requirement.

E. Training Media

One commenter expressed a concern about the costs associated with the

development and distribution of training media for resetting and inspection and suggested that the manufacturers provide a master tape to the Postal Service for reproduction as needed.

The Postal Service is working in a cooperative effort with the manufacturers to develop training material. Once a master copy of the training materials is produced that covers all the meter families for all manufacturers, the Postal Service will reproduce and distribute copies to post offices. The expense borne by the manufacturers should be minimal.

IV. Computerized Remote Postage Meter Resetting System

The Postal Service is changing the cash management arrangements of the Computerized Remote Postage Meter Resetting System (CMRS) to establish more direct control of licensee payments and balances and to provide improved service for CMRS licensees.

One commenter stated that the proposed rule would improve the efficiency and security of Postal Service funds handling over the current methods. Also, the commenter believed that Postal Service investment results would improve because of earlier availability of funds that could be invested. This same commenter also requested that the Postal Service change the wording in the last sentence in the last paragraph under CMRS to read as follows: "The funds in the Postal Service fund at Treasury would be backed in full faith and credit by the U.S. Treasury, whereas that is not the case with investments by a commercial bank trustee."

The Postal Service agrees with the suggestion that "funds in the Postal Service fund would be backed in full faith and credit by U.S. Treasury securities, whereas that is not always the case with investments by a commercial bank trustee." The change is incorporated into 39 CFR 501.28(b)(1).

Another commenter supported the Postal Service initiative for CMRS and believed that customers would prefer this approach to the alternatives currently available. The commenter also stated that this initiative should promote the wider use of CMRS.

The Postal Service agrees that customers will prefer modernized cash management procedures that make customer funds available as soon as possible, and it believes that the initiative will promote the wider use of CMRS.

A third commenter strongly disagreed that approved changes to CMRS are

necessary or in the best interests of mailers. This same commenter stated that it is unfair and unjustified for the Postal Service to restructure the system in a way that increases the responsibility of the manufacturers and simultaneously deprives them of compensation.

After careful consideration, the Postal Service respectfully disagrees with the assertions that the changes are unnecessary and contrary to mailers' best interests. The Postal Service believes strongly that current cash management and payment methods must be modernized, and it has therefore agreed to pay for envelopes, deposit tickets, and multiple lockbox bank locations. The Postal Service believes that the manufacturers should promote payment methods for customers that encourage customers to reduce or eliminate funds held in trust account deposits. Finally, the Postal Service believes that the responsibilities of manufacturers will remain the same while the Postal Service's responsibilities will increase.

A fourth commenter expressed concern about compensation to manufacturers and about procedures to advance funds to customers. The same commenter was concerned about customer price increases resulting from new CMRS procedures. This commenter found representatives of the Postal Service Corporate Treasury and the Finance Department to be responsive to the issues raised by bringing a new form of funds management to CMRS. The commenter also believed that the commenter's company should not be forced to suffer a financial penalty if its competitors are allowed an excessive amount of time to convert to the new system.

The Postal Service disagrees with the use of the term "compensation." The Postal Service has asked each manufacturer to provide details about expenses associated with CMRS and has indicated that it will review the services provided by the manufacturers in collecting and accounting for Postal Service revenue. The Postal Service also has repeatedly expressed its intention to have all manufacturers operating under the new regulations so that no manufacturer is at an advantage or disadvantage.

A fifth commenter objected to the proposed rulemaking on CMRS and stated that the current relationship cannot be unilaterally amended by regulation.

Before the publication of the proposed regulations, the Postal Service thoroughly reviewed and considered its legal authority and determined that it

had the requisite authority to issue the proposed regulations. Upon receipt and review of the comments, the Postal Service reaffirmed its earlier conclusion.

The commenter stated that the proposed regulations violate a statement of understanding between the commenter and the Postal Service and that the Postal Service is recommending unilateral changes to the understanding to take over financial control of CMRS. This proposed takeover of a successful private sector-operated enterprise is contrary to the government trend of outsourcing business functions.

The Postal Service does not believe that the proposed regulations violate any relationship with any manufacturer. Further, the Postal Service is not proposing a takeover of a private sector-operated enterprise but rather the modernization of cash management and payment methods. The Postal Service has received letters supporting its position, including one from a cabinet-level agency. A key component of the new regulations is extensive use of the most modern collection methods available in the private commercial banking system.

One commenter maintained that investments were made based on the contractual commitment, entitling the manufacturer to recoup its investment.

The Postal Service concludes that no change to the proposed regulations is warranted in response to the comment about recoupment of investments.

One commenter stated that CMRS has attained a high degree of customer satisfaction and that all parties have benefited from enhanced security.

With respect to customer satisfaction, there has been no substantiation of high customer satisfaction, only anecdotal statements about adverse effects on customers. Customer satisfaction is one of the primary factors considered in publishing regulations designed partly to promote CMRS meters.

The commenter believed that the risks and benefits have not been identified by the Postal Service and that customers would object to any increased costs resulting from the proposed changes.

The Postal Service has identified the costs and benefits of the proposed regulations and continues to believe that the proposed changes will benefit both customers and meter manufacturers. Further, after reviewing manufacturers' CMRS costs and pricing behavior, the growth in the use of CMRS meters, the increase in competition in providing remote meter resetting services, and the savings that customers should realize from the proposed changes, the Postal Service believes that the changes can be made without necessarily increasing

costs to customers. The Postal Service will continue to work with the manufacturers to identify additional ways in which costs can be controlled.

The same commenter disagreed with the Postal Service position that funds in commercial accounts are at risk.

The Postal Service considered the risk of loss of customer funds in commercial trustee accounts, both before and after publication of the proposed regulations. The Postal Service has determined that it should not continue to have more than \$7 billion of its revenue held by and flow through an unnecessary third party, and the Postal Service continues to believe that the safest place for customer advance deposits is the U.S. Treasury, a view supported by the U.S. Department of the Treasury.

The commenter stated that Postal Service Treasury officials had not responded to the commenter's previous offer to review investment strategy.

The Postal Service believes that the location of the customer funds is an important component of risk. Because the safest place for customer advance deposits is the U.S. Treasury, the Postal Service has determined that the funds must be kept there, backed in full faith and credit by the U.S. Treasury.

The commenter also believed that there is no evidence that mail float time is an issue of customer concern.

The Postal Service disagrees. Another commenter indicated that customers would be pleased to have their funds available sooner for postage. Furthermore, reduction in the time between when funds are sent by a CMRS customer and the availability of such funds is consistent with commonly recognized, prudent business cash management practices.

The same commenter believed that one-time conversion costs would be significant and that the Postal Service has not presented an adequate proposal for compensation. The commenter stated that there is no evidence to support Postal Service notions of improved customer funds management or the reduced need for meter manufacturers to furnish advances to customers.

The Postal Service has asked each manufacturer to provide details on conversion costs, although the Postal Service does not agree with use of the term "compensation." Not all manufacturers have provided information in support of conversion costs, and that information is necessary for the Postal Service to determine the magnitude of such costs, if any.

V. General Comments

All the manufacturers supported the Postal Service efforts to improve meter security and control. One manufacturer specifically commented that the Postal Service was business-like and professional in giving manufacturers an opportunity to discuss their views on the regulations in an open forum. Another commenter believed that the Postal Service had disregarded comments previously made by manufacturers on the proposed regulations.

To keep the manufacturers informed, the Postal Service held several meetings to discuss the proposed regulations. Each manufacturer was given an opportunity to express the specific views of its organization and of the industry. In addition, the Postal Service conducted a series of customer focus group sessions to provide a forum for comments from interested parties who were not manufacturers. A public meeting also was conducted in which the manufacturers and others could express their views. The Postal Service noted the concerns and opinions from these discussions before publishing the proposed regulations.

One commenter stated that market tests or analyses were not conducted to measure the effect the proposed regulations would have on customers. In addition, the commenter believed that the regulations do not take into account new technology for encrypted data verification.

Participants in the customer focus groups recognized the need for revising meter regulations and indicated that any inconvenience to meter users will be minimal. They supported the Postal Service's effort because, in their opinion, meter misuse and fraud affect postage rates.

The Postal Service has solicited the cooperation of the meter manufacturers in the development of encrypted indicia. This effort is under way, and the results and specifications will be

published for public review and comment when they become available.

VI. Revisions

The following sections were revised since the proposed rule; the revisions are reflected in the final rule.

A. PS Form 3601-A

The statement on PS Form 3601-A, Application for a License to Lease and Use Postage Meters, pertaining to the penalties for submission of a false, fictitious, or fraudulent statement is deleted.

Reference

Exhibit B

B. PS Form 3602-A

The use of PS Form 3602-A, Daily Record of Meter Register Readings, is voluntary, but its use is recommended to support refunds in case of register malfunctions.

References

DMM P030.2.1 Procedures
 DMM P030.2.6 Licensee Responsibilities
 DMM P030.3.4 Alternative Meter Setting Location

DMM P030.3.7 Postage Transfers and Refunds

DMM P030.3.8 Postage Adjustments, Misregistering Meters

DMM P030.3.11 Periodic Examination of CMRS Meters

39 CFR 501.22(g) Distribution controls.

39 CFR 501.22(h)(2) Distribution controls.

39 CFR 501.25(b)(3) Inspections of meters in use.

C. Computerized Remote Postage Meter Resetting System

For customers participating in the Computerized Remote Postage Meter Resetting System (CMRS) program, the Postal Service will include deposit tickets with check payments.

Reference

39 CFR 501.28(e)(6) Computerized remote postage meter resetting (parts of proposed 39 CFR 501.28 are renumbered).

D. Deposits in U.S. Treasury

Deposits in the Postal Service fund at Treasury are backed in full faith and credit by the U.S. Treasury.

Reference

39 CFR 501.28(b)(1) Computerized remote postage meter resetting.

E. Manufacturer Suspensions

Manufacturer suspensions may be withdrawn before the end of the 90-day period if the Postal Service determines that the manufacturer's solution and implementation are satisfactory.

References

39 CFR 501.5(c)(4)(iii) Suspension and revocation of authorization.

39 CFR 501.12(b)(4)(iii) Suspension and revocation of approval.

F. Domestic Mail Manual

Domestic Mail Manual (DMM) P030.2.0, Meter License, is reorganized and renumbered since the proposed rule. DMM P030.1.9, Appeals, is renumbered as DMM P030.2.5.

G. High-Volume Mailers

High-volume mailers are defined for manufacturer meter inspections.

Reference

39 CFR 501.25 Inspection of meters in use.

H. Domestic Mail Manual Transition Book

Domestic Mail Manual Transition Book part 144 is transferred as revised to 39 CFR 501, with the exception of these sections: 144.312, 144.313, 144.341, 144.342, 144.344, 144.345, 144.346, 144.347, 144.348, 144.349, 144.35, 144.363, 144.37, 144.382(b), 144.383(b), 144.383(c), 144.383(d), 144.384, 144.53, 144.54, 144.61, 144.62, 144.63, 144.64, 144.65, and 144.67.

TABLES OF CROSS-REFERENCES.—DOMESTIC MAIL MANUAL (DMM) REVISIONS

DMM P030 old section	DMM P030 new section	Changes and comments
1.1	1.1	Editorial changes.
1.2	1.2	1.2 is revised to update names and addresses of authorized meter manufacturers. Editorial changes.
1.3	1.3	Editorial changes.
1.4, 1.5, 1.6, 1.7	1.4, 1.5, 1.6, 1.7	None.

TABLES OF CROSS-REFERENCES.—DOMESTIC MAIL MANUAL (DMM) REVISIONS—Continued

DMM P030 old section	DMM P030 new section	Changes and comments
1.8, 1.9	1.8	1.8, Meter Documentation, and 1.9, Markings and Endorsements, are combined into 1.8, Meter Documentation, Markings, and Endorsements. Editorial changes.
2.0	2.0	None.
2.1	2.1	2.1 is modified to include electronic transmission of license applications by the manufacturer and to require all licenses to be processed at a central location.
2.2	2.2	2.2 is renamed Licensee Agreement. Parts of 2.7 are incorporated into 2.2 and restrictions are clarified on taking meters outside the United States.
2.3	2.3	Editorial changes.
2.4	2.6	2.4 is renumbered as 2.6 and revised to make Postal Service (PS) Form 3602—A optional though recommended to support refunds. Revised 2.6 includes examination requirements; license revocation for failure to comply with examination requirements; modifications to licensing procedures; reporting of malfunctioning meters; labeling requirements.
—	2.5	New 2.5, Appeals, is added to specify appeal procedures for licensees and applicants.
—	2.7	New 2.7, Custody of Suspect Meters, is added to cite authority of postal inspectors to make on-site visits and withdraw suspect meters.
2.5	2.8	2.5 is renumbered as 2.8, renamed Defective Meters, and revised to change procedures when a meter's registers are faulty or defective. Manufacturers are required to check meters out of service within a specific period and provide replacement meter.
2.6	2.4	2.6, Place of Mailing, is incorporated into 2.4(e), Revocation of License.
2.7	2.4	2.7 is renumbered as 2.4 and revised to clarify that taking meters outside the United States can be grounds for license revocation.
—	2.9	2.9, Missing Meters, is added to specify reporting requirements for missing meters.
—	2.10	2.10, Returning Meters, is added to specify procedures for returning meters to manufacturer whenever meter is defective or no longer wanted by licensee.
3.0	3.0	None.
3.1	3.1	3.1 is revised to require use of new PS Form 3601—C for meter installations, withdrawals, or replacements.
3.2	3.2	3.2 is renamed Licensee Relocation. Editorial changes.
3.3	3.3	Editorial changes.
3.4	3.4	3.4 is renamed Alternative Meter Setting Location. Editorial changes.
3.5	3.6	3.5 is renumbered as 3.6.
3.6	—	3.6, Manufacturer Withdrawal, is moved to 39 CFR 501.22(g) and 501.22(i).
3.7	3.5	3.7 is renumbered as 3.5. Editorial changes.
3.8	3.7	3.8 is renumbered as 3.7 and renamed Postage Transfers and Refunds. Editorial changes.
—	3.8	New 3.8, Postage Adjustments, Misregistering Meters, is added to expand requirements that include new procedures for processing refunds for defective meters.
3.9	3.8	3.9, Manufacturer's Statement, is incorporated into new 3.8, Postage Adjustments, Misregistering Meters.
3.10	3.9	3.10 is renumbered as 3.9 and renamed Computerized Meter Resetting System. Requirement is added for use of PS Form 3601—C, Meter Installation, Withdrawal, or Replacement.

TABLES OF CROSS-REFERENCES.—DOMESTIC MAIL MANUAL (DMM) REVISIONS—Continued

DMM P030 old section	DMM P030 new section	Changes and comments
3.11	3.10	3.11 is renumbered as 3.10 and renamed Postage Transfer for CMRS Meters. Editorial changes.
3.12	3.11	3.12 is renumbered 3.11 and renamed Periodic Examination of CMRS Meters. Editorial changes.
3.13	3.12	3.13 is renumbered as 3.12 and revised to specify requirement changes.
—	3.13	New 3.13, CMRS Refunds, is added to outline CMRS refund procedures.
4.0	4.0	None.
4.1	4.1	Editorial changes.
4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.12, 4.13, 4.14, 5.0, 5.1, 5.2, 5.3, 5.4	4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.12, 4.13, 4.14, 5.0, 5.1, 5.2, 5.3, 5.4	None.
6.0	6.0	6.0 is revised to reference that requirements for manufacture and distribution of meters are published in 39 CFR 501.
6.1	—	6.1 is eliminated and requirements moved to 39 CFR 501.1 and 501.2.
6.2	—	6.2 is eliminated and requirements moved to 39 CFR 501.3
6.3	—	6.3 is eliminated and requirements moved to 39 CFR 501.5.
6.4	—	6.4 is eliminated and requirements moved to 39 CFR 501.5.
6.5	6.0	6.5 is revised and renumbered as 6.0.

DOMESTIC MAIL MANUAL TRANSITION BOOK (DMMT) AND 39 CFR 501 REVISIONS

DMMT section	39 CFR 501 section	Changes and comments
144.9	501	None.
144.91, 144.912	501.1	Section is moved from DMMT 144.91 and 144.912 and DMM P030.6.0.
144.911	501.2	Section is moved from DMMT 144.911. Editorial changes.
144.915	501.3	Section is moved from DMMT 144.915 and combined with DMM P030.6.0.
—	501.4	New 39 CFR 501.4, Burden of proof standard, clarifies burden of proof standard.
144.913, 144.914	501.5	Section is moved from DMMT 144.913 and 144.914, clarified, and expanded.
144.92	501.6	Section is moved from DMMT 144.92.
144.931	501.7	Section is moved from DMMT 144.931. Editorial changes.
144.932	501.8	Section is moved from DMMT 144.932.
144.935	501.9	Section is moved from parts of DMMT 144.935 and redrafted.
144.933, 144.935	501.10	Section is moved from DMMT 144.933 and parts of DMMT 144.935 and redrafted.
144.936, 144.937	501.11	Section is moved from DMMT 144.936 and 144.937 and expanded.
144.913, 144.914	501.12	Section is moved from parts of DMMT 144.913 and 144.914 and expanded.
—	501.13	39 CFR 501.13, Reporting, specifies manufacturer reporting requirements.

DOMESTIC MAIL MANUAL TRANSITION BOOK (DMMT) AND 39 CFR 501 REVISIONS—Continued

DMMT section	39 CFR 501 section	Changes and comments
—	501.14	39 CFR 501.14, Administrative sanction on reporting, specifies sanctions for noncompliance with manufacturer reporting requirements.
144.941	501.15	Section is moved from DMMT 144.941.
144.934, 144.942	501.16	Section is moved from DMMT 144.934 and 144.942.
144.943	501.17	Section is moved from DMMT 144.943.
144.944	501.18	Section is moved from DMMT 144.944.
144.945	501.19	Section is moved from DMMT 144.945.
144.946	501.20	Section is moved from DMMT 144.946 and expanded.
144.951	501.21	Section is moved from DMMT 144.951.
144.21, 144.225, 144.343, 144.355a, 144.36, 144.361, 144.383, 144.952, 144.963	501.22	Section is moved from DMMT 144.21, 144.225, 144.343, 144.355a, 144.36, 144.361, 144.383, 144.952, and 144.963, expanded, and redrafted.
—	501.23	39 CFR 501.23, Administrative sanction, specifies manufacturer sanctions for failure to comply with meter standards.
144.96	501.24	Section is moved from DMMT 144.96.
144.962	501.25	Section is moved from DMMT 144.962 and expanded.
144.952f, 144.963	501.26	Section is moved from DMMT 144.952f and 144.963 and expanded.
144.964	501.27	Section is moved from DMMT 144.964.
144.97, 144.971, 144.972, 144.973, 144.974, 144.975, 144.976, 144.977	501.28	Section is moved from DMMT 144.97, 144.971, 144.972, 144.973, 144.974, 144.975, 144.976, and 144.977 and expanded.
144.98	501.29	Section is moved from DMMT 144.98.

List of Subjects in 39 CFR Part 111

Administrative practice and procedure, Postal Service.

In consideration of the foregoing, the Postal Service hereby adopts the following amendments to the Domestic Mail Manual, which is incorporated by reference in the Code of Federal Regulations (see 39 CFR part 111).

PART 111—[AMENDED]

1. The authority citation for 39 CFR 111 continues to read as follows:

Authority: 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 3001–3011, 3201–3219, 3403–3406, 3621, 3626, 5001.

2. Revise the following sections of the Domestic Mail Manual to read as set forth below:

P030 Postage Meters and Meter Stamps**1.0 BASIC INFORMATION****21.1 Description of Meters**

Postage meters can print one or more denominations of postage and display the amount of postage used and the amount remaining. A meter locks when no postage or minimal postage remains. A meter generally must be taken to the licensing post office to be reset by payment for additional postage. Avoiding the payment of postage by misusing a meter is punishable by law.

1.2 Meter Manufacturers

Postage meters are available only by lease from authorized manufacturers. The USPS holds manufacturers responsible for the control, operation, maintenance, and replacement of their meters. The following manufacturers are authorized to lease meters:

ASCOM HASLER MAILING SYSTEMS
INC
19 FOREST PKY
SHELTON CT 06484-0903
FRANCOTYP-POSTALIA INC
1980 UNIVERSITY LN
LISLE IL 60532-2152
FRIDEN NEOPOST
30955 HUNTWOOD
HAYWARD CA 94544-7005
PITNEY BOWES INC

1 ELMCROFT RD
STAMFORD CT 06926-0700

1.3 Possession

No one other than an authorized manufacturer may possess a postage meter without a valid USPS meter license and a rental agreement with the meter manufacturer and until the USPS sets, seals (if applicable), and checks the meter into service. Other parties in possession of a meter must immediately surrender it to the manufacturer or USPS.

* * * * *

1.8 Meter Documentation, Markings, and Endorsements

Unless excepted by standard, a mailing of pieces bearing meter stamp postage must be accompanied by documentation meeting the standards in P012 if the mailing contains nonidentical-weight pieces or pieces without the full correct postage at the applicable rate. Each piece bearing meter postage must show the markings and endorsements required for the rate claimed and any special service requested.

2.0 METER LICENSE

2.1 Procedures

An applicant wanting to be licensed to lease and use a meter must provide an original signed Form 3601-A to the post office where the applicant intends to deposit metered mail. A meter manufacturer may, on behalf of the applicant, electronically transmit the information requested on Form 3601-A to the designated USPS license application central processing center in USPS-specified format. A single license covers all meters licensed to the same applicant by the same post office, but a separate application must be submitted for each post office where the applicant wants to deposit metered mail. There is no fee for this application and license. After approving an application, the USPS issues a license (Form 3601-B) and one Form 3602-A for each meter checked into service. The use of Form 3602-A is voluntary, but its use supports refunds in the case of meter register malfunctions. If a meter manufacturer transmits the application on behalf of the applicant, the USPS notifies the manufacturer when a license is issued.

2.2 Licensee Agreement

By submitting an application, the licensee agrees that the license may be revoked immediately and the meter removed by the manufacturer or the USPS in these cases: the meter is used

in any fraudulent or unlawful scheme or enterprise; the meter is unused during any consecutive 12-month period; the licensee fails to exercise sufficient control of the meter or fails to comply with the standards for meter care or use; or a meter is taken outside the United States, its territories, or its possessions (without written permission by the manager of Retail Systems and Equipment, USPS Headquarters).

2.3 Refusal to Issue Meter License

The USPS may refuse to issue a meter license for these reasons: the applicant submitted false or fictitious information on the license application; within 5 years preceding submission of the application, the applicant violated any standard for the care or use of a meter that resulted in the revocation of that applicant's meter license; or there is sufficient reason to believe that the meter is to be used in violation of the applicable standards. When an application for a license to lease and use meters is refused, the USPS sends the licensee written notice of the reason. If the license application is electronically transmitted to the USPS by a manufacturer on behalf of the applicant, the USPS notifies the manufacturer of the refusal. An applicant refused a meter license may appeal the decision under 2.5.

2.4 Revocation of License

The USPS notifies the licensee in writing of the reasons why the meter license is to be revoked. The USPS also notifies the licensee's meter manufacturer of the revocation so that the manufacturer can cancel the lease agreement and remove the meter from service. Revocation takes 10 days thereafter unless, within that time, the licensee appeals the decision under 2.5. A license is subject to revocation for any of these reasons:

- a. A meter is used for any illegal scheme or enterprise.
- b. The license or licensee's meter is not used for 12 consecutive months.
- c. Sufficient control of a meter is not exercised or the standards for its care or use are not followed.
- d. The meter is kept or used outside the boundaries of the United States or those U.S. territories and possessions where the USPS operates (except as specified in 2.2).
- e. Metered mail is deposited at other than the licensing post office (except as permitted by 5.0 or D072).

2.5 Appeals

An applicant who has been refused a meter license, or a licensee who has had a license revoked, may file a written

appeal with the manager of Retail Systems and Equipment (RSE), USPS Headquarters, within 10 calendar days of receipt of the decision. A licensee appealing decisions on postage adjustments may file the appeal with the same official within 60 days of the date that the manufacturer submitted the postage recommendation to the USPS.

2.6 Licensee Responsibilities

The meter licensee's responsibilities for the care and use of a meter include the following:

- a. After a meter is delivered to a licensee, the licensee must keep the meter in the licensee's custody until it is returned to the authorized manufacturer or the licensing post office.
- b. Each day of operation, the licensee may record the readings of the ascending and descending registers on Form 3602-A (except that licensees using metering systems that record these readings electronically may use system-generated printed records of the preceding 12 months of meter activity as a substitute for manual entry of daily readings on Form 3602-A). The licensee may bring Form 3602-A to the post office when the meter is reset or examined.
- c. The licensee must make meters in the licensee's custody and records on meter transactions immediately available for review and audit on request by the USPS or the meter manufacturer.
- d. The licensee must present meters not reset within a 3-month period to the licensing post office for examination. Remote-set meters that are reset at least once every 3 months need be presented for examination only annually. Failure to present a meter for examination as required following notification can result in revocation of the licensee's authorization to lease and use meters.
- e. The licensee must immediately notify the licensing post office and manufacturer's representative of any change in the licensee's name, address, or telephone number, or the location of the meters, or any other information contained on the original Form 3601-A. The USPS thereafter issues a modified meter license reflecting the updated information. The licensee must verify and update license information on a periodic basis as well as following any event that indicates the need to update this information immediately (e.g., billings returned to a meter manufacturer or failure of a manufacturer to locate a meter for inspection).

f. The licensee must report a misregistering or otherwise defective meter to the manufacturer according to 2.8 and must ensure that the meter is not used.

g. The licensee must ensure that the cautionary and barcode labels placed onto each meter before its being checked into service are not removed while the meter is in the licensee's possession. The cautionary label contains basic reminders on leasing, meter movement, and misuse. The barcode label contains a barcoded representation of the meter serial number. Meters without these labels may not be checked into service.

2.7 Custody of Suspect Meters

Postal inspectors are authorized to conduct unannounced on-site examinations of meters reasonably suspected of being manipulated or otherwise defective. An inspector may also immediately withdraw a suspect meter from service for physical and/or laboratory examination. The inspector issues the licensee a receipt for the meter, forwards a copy to the manufacturer, and, if necessary, assists in obtaining a replacement meter from the meter manufacturer. Where possible, the Inspection Service provides the manufacturer with advance notice that a meter is to be inspected. Unless there is reason to believe that the meter has been fraudulently set with postage, existing postage in the meter to be examined is transferred to the replacement meter.

2.8 Defective Meters

The licensee must immediately report any defective meter to the licensing postmaster and the manufacturer. The manufacturer must pick up any defective meter and take it to the licensing post office to be checked out of service within 3 business days of being notified by the licensee. A faulty meter may not be used under any circumstance, and it must be removed from service when taken to the licensing post office. The manufacturer provides the licensee with a replacement meter.

2.9 Missing Meters

The licensee must immediately report to the licensing postmaster and the manufacturer the loss or theft of any meter or the recovery of any missing meter. Reports must include the meter model and serial number; the date, location, and details of the loss, theft, or recovery; and a copy of any police report.

2.10 Returning Meters

After a meter is delivered to a licensee, the meter must be kept in the licensee's custody until returned to the

authorized manufacturer or licensing post office. A licensee with a faulty or misregistering meter or no longer wanting to retain a meter must notify the meter manufacturer's representative of any meter to be returned to the licensing post office to be checked out of service. Meters must be shipped by registered mail unless the manager of RSE, USPS Headquarters, gives written permission to ship meters otherwise.

3.0 SETTING METERS

3.1 Initial Setting

Before delivering a meter to the licensee, the meter manufacturer must take the meter to be set, sealed (if applicable), and checked into service by the post office where it is to be regularly set or examined, unless the meter is serviced through the on-site meter-setting program described in 3.5. The manufacturer must present the postal representative with the meter and a completed Form 3601-C when checking a meter into service.

3.2 Licensee Relocation

If a licensee changes the post office where metered mail is to be deposited, the meter must be checked out of service by the licensing post office. That meter or another meter must be licensed at the new post office before it is reset or initial settings are made. For this standard, a post office includes all subordinate branches and stations of the licensing post office.

3.3 Location of Setting

Except under 3.4 or 3.5, meters must be set at the licensing post office, not at contract stations or branches. Remote-set meters are subject to 3.9 through 3.13 and related standards.

3.4 Alternative Meter Setting Location

The postmaster serving a licensee's location may set a meter used to pay postage on mail presented at another post office, subject to these conditions:

- The licensee must obtain a meter license from the post office where the mailing is to be deposited and must present the license to the licensee's local post office with the meter for setting and Form 3602-A, if maintained (or its electronic equivalent).

- The postmark die must show the name of the post office of mailing (licensing post office).

- A separate meter must be used for mailings made at each post office.

- Mail matter sent to another post office for mailing must be shipped on private transportation, to be deposited at the time and place designated by the postmaster. Such matter may not be consigned to the USPS in bulk by

freight, express, or other carrier. The USPS has no responsibility for the metered matter before it is accepted in the mail.

- When a meter is no longer used, the licensee must return the meter to the manufacturer's representative or licensing post office to have it checked out of service.

3.5 On-Site Meter-Setting Program

The on-site meter-setting program allows USPS employees to set or examine meters at a licensee's place of business within the area served by the licensing post office. Only the licensee's meters participating in the program may be set or examined at that location. The program also provides for checking meters into or out of service at the meter manufacturer's branch offices, including meters set for use at another post office. A fee is charged for each meter set, examined, or checked into or out of service at a licensee's place of business or at a manufacturer's office, unless a USPS employee (qualified to set meters) is regularly assigned to that licensee's location for postal administrative duties. The licensee must pay on-site setting or examination fees (shown in R900) and postage by check or advance deposit account at the time of the setting or examination.

3.6 Payment for Postage

Payment must be made for postage when the meter is set. Payment may be in cash or by check, money order, or withdrawal from an advance deposit account established with the post office. (Advance deposit accounts may be established when the licensee's monthly metered postage is \$500 or more.) Payment by check or advance deposit account is subject to USPS standards and procedures.

3.7 Postage Transfers and Refunds

Upon USPS verification, unused postage in a meter being checked out of service may be transferred to another of the licensee's meters licensed at the same post office, or the licensee may request a refund, which may include a refund for unused meter stamps according to applicable standards. The meter must be examined by the USPS before a refund or credit is initiated for unused postage or additional postage is collected, based on what is found. The licensee may also submit Form 3602-A, if maintained, or a system-generated register as supporting documentation.

3.8 Postage Adjustments, Misregistering Meters

To request a postage adjustment for a faulty or misregistering meter, the

licensee must present to the manufacturer the meter and the licensee's Form 3602-A, if maintained. After examining a meter checked out of service for apparent faulty operation affecting registration, the manufacturer must provide the licensing post office with a report of the malfunction. The report must contain all applicable meter documentation (including a copy of the licensee's Form 3602-A, if maintained, and the licensee's Form 3610 provided by the USPS) and a recommendation about the appropriate postage adjustment. If the electronic redundant memory data, as examined by the manufacturer, is inconclusive about the appropriate postage adjustment, the manufacturer must include an analysis of the licensee's recent mailing history supporting the recommended postage adjustment. (In the absence of a completed Form 3602-A, the licensee may submit some other reliable evidence showing that a postage adjustment is warranted.) A licensee may appeal a postage adjustment under 2.5.

3.9 Computerized Meter Resetting

The Computerized Remote Postage Meter Resetting System (CMRS) allows certain meters to be reset electronically at the licensee's place of business. CMRS meters must be set at the licensee's place of business, except under 3.11. Before delivering a meter to the licensee, the manufacturer must take the meter and a completed Form 3601-C to the licensing post office to have the meter checked into service, unless the meter is initially checked into service at the manufacturer's office under 3.5.

3.10 Postage Transfer for CMRS Meters

No postage is set by the licensing post office unless a CMRS meter is checked out of service and the unused postage in it is transferred to another CMRS meter leased by the same licensee for use at the same post office.

3.11 Periodic Examination of CMRS Meters

CMRS meters must be reset or examined every 3 months. CMRS meters set at least once every 3 months require examination by a USPS employee only annually. The licensee must take a CMRS meter and applicable Form 3602-A, if maintained, to the licensing post office when notified by the manufacturer of a required examination. A licensee who does not comply with examination requirements may not reset meters via CMRS. Failure to have a meter examined on notification can result in revocation of the licensee's meter license.

3.12 Resetting CMRS Meters

The following conditions must be met for resetting a CMRS meter:

- a. The licensee's account must have sufficient funds to cover the desired postage increment, or the manufacturer must agree to advance funds to the licensee. The licensee may deposit funds by check, electronic funds, or automated clearinghouse transfer.
- b. The licensee must provide the manufacturer or designated meter resetting company with the meter serial number, licensee's account number, and the meter's ascending and descending registers.
- c. After a meter is reset, the manufacturer must provide the licensee with documentation of the transaction and the balance remaining in the licensee's account, unless the manufacturer provides a monthly statement documenting all transactions for the period and the balance after each transaction.

3.13 CMRS Refunds

The USPS issues a refund to a licensee for any unused postage in a meter. Refunds of licensee balances maintained by the USPS in the USPS fund are made to the licensee by the USPS lockbox bank within 48 hours after receipt of a licensee's request.

4.0 METER STAMPS

4.1 Designs

Meter stamp designs (types, sizes, and styles) must be those specified when a meter is approved by the USPS for manufacture (see Exhibit 4.1).

* * * * *

6.0 METER MANUFACTURE AND DISTRIBUTION

Title 39, Code of Federal Regulations, part 501, contains information about the authorization to manufacture and distribute meters; the suspension and revocation of such authorization; performance standards required in meters, test plans, testing, and approval of meters; required manufacturing security measures; and standards for the distribution and maintenance of meters. Further information may be obtained from Retail Systems and Equipment, USPS Headquarters.

List of Subjects in 39 CFR Part 501

Administrative practice and procedure, Postal Service.

3. Add subchapter G, Postage Meters, consisting of part 501 to read as set forth below:

PART 501—AUTHORIZATION TO MANUFACTURE AND DISTRIBUTE POSTAGE METERS

Sec.

- 501.1 Manufacturer authorization.
- 501.2 Manufacturer qualification.
- 501.3 Changes in ownership or control.
- 501.4 Burden of proof standard.
- 501.5 Suspension and revocation of authorization.
- 501.6 Specifications.
- 501.7 Test plans.
- 501.8 Submission of each model.
- 501.9 Security testing.
- 501.10 Meter approval.
- 501.11 Conditions for approval.
- 501.12 Suspension and revocation of approval.
- 501.13 Reporting.
- 501.14 Administrative sanction on reporting.
- 501.15 Materials and workmanship.
- 501.16 Breakdown and endurance testing.
- 501.17 Protection of printing dies and keys.
- 501.18 Destruction of meter stamps.
- 501.19 Inspection of new and rebuilt meters.
- 501.20 Keys and setting equipment.
- 501.21 Distribution facilities.
- 501.22 Distribution controls.
- 501.23 Administrative sanction.
- 501.24 Meter replacement.
- 501.25 Inspection of meters in use.
- 501.26 Meters not located.
- 501.27 Repair of internal mechanism.
- 501.28 Computerized remote postage meter resetting.

Authority: 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 410, 2601, 2605; Inspector General Act of 1978, as amended (Pub. L. 95-452, as amended), 5 U.S.C. App. 3.

§ 501.1 Manufacturer authorization.

Any person or concern seeking authorization to manufacture and distribute postage meters must submit a request to the Postal Service in person or in writing. Upon qualification and approval, the applicant is authorized in writing to manufacture meters and to lease them to persons licensed accordingly by the Postal Service. The Postal Service may specify the functional area charged with processing the application and administering its meter program.

§ 501.2 Manufacturer qualification.

Any concern wanting authorization to manufacture and/or lease postage meters for use by licensees under Domestic Mail Manual P030.1.2 must:

- (a) Satisfy the Postal Service of its integrity and financial responsibility;
- (b) Obtain approval of at least one meter model incorporating all the features and safeguards specified in § 501.6;
- (c) Have, or establish, and keep under its supervision and control adequate manufacturing facilities suitable to carry out the provisions of §§ 501.15 through

501.20 to the satisfaction of the Postal Service (such facilities must be subject to unannounced inspection by representatives of the Postal Service); and

(d) Have, or establish, and keep adequate facilities for the control, distribution, and maintenance of meters and their replacement when necessary.

§ 501.3 Changes in ownership or control.

Any person or concern wanting to acquire ownership or control of an authorized postage meter manufacturer must provide the Postal Service with satisfactory evidence of that person's or concern's integrity and financial responsibility.

§ 501.4 Burden of proof standard.

The burden of proof is on the Postal Service in adjudications of suspension and revocation under §§ 501.5 and 501.12 and administrative sanctions under §§ 501.14 and 501.23. Except as otherwise indicated in those sections, the standard of proof shall be the preponderance-of-evidence standard.

§ 501.5 Suspension and revocation of authorization.

(a) The Postal Service may suspend and/or revoke authorization to manufacture and/or distribute any or all of a manufacturer's postage meters if the manufacturer engages in any unlawful scheme or enterprise, fails to comply with any provision in this part 501, or fails to implement instructions issued in accordance with any final decision issued by the Postal Service within its authority over the meter program.

(b) The decision to suspend or revoke a manufacturer's authorization shall be based on the nature and circumstances of the violation (whether the violation was willful, whether the manufacturer voluntarily admitted to the violation, whether the manufacturer cooperated with the Postal Service, whether the manufacturer implemented successful remedial measures) and on the manufacturer's performance history. Before determining whether a manufacturer's authorization to manufacture and/or distribute meters should be revoked, the procedures in paragraph (c) of this section shall be followed.

(c) Suspension in all cases shall be as follows:

(1) Upon determination by the Postal Service that a manufacturer is in violation of the provisions in this part 501, the Postal Service shall issue a written notice of proposed suspension citing deficiencies for which suspension of authorization to manufacture and/or distribute a specific meter or class of

meters may be imposed under paragraph (c)(2) of this section. Except in cases of willful violation, the manufacturer shall be given an opportunity to correct deficiencies and achieve compliance with all requirements within a time limit corresponding to the potential risk to postal revenue.

(2) In cases of willful violation, or if the Postal Service determines that the manufacturer has failed to correct cited deficiencies within the specified time limit, the Postal Service shall issue a written notice setting forth the facts and reasons for the decision to suspend and the effective date if a written defense is not presented as provided in paragraph (d) of this section.

(3) If, upon consideration of the defense as provided in paragraph (e) of this section, the Postal Service deems that the suspension is warranted, the suspension shall remain in effect for up to 90 days unless withdrawn by the Postal Service, as provided in paragraph (c)(4)(iii) of this section.

(4) At the end of the 90-day suspension, the Postal Service may:

(i) Extend the suspension in order to allow more time for investigation or to allow the manufacturer to correct the problem;

(ii) Make a determination to revoke authorization to manufacture and/or distribute the manufacturer's meters in part or in whole; or

(iii) Withdraw the suspension based on identification and implementation of a satisfactory solution to the problem. Manufacturer suspensions may be withdrawn before the end of the 90-day period if the Postal Service determines that the manufacturer's solution and implementation are satisfactory.

(d) The manufacturer may present the Postal Service with a written defense to any suspension or revocation determination within 30 calendar days of receiving the written notice (unless a shorter period is deemed necessary). The defense must include all supporting evidence and state with specificity the reasons for which the order should not be imposed.

(e) After receipt and consideration of the defense, the Postal Service shall advise the manufacturer of the decision and the facts and reasons for it. The decision shall be effective on receipt unless it provides otherwise. The decision shall also advise the manufacturer that it may appeal that determination within 30 calendar days of receiving written notice (unless a shorter time frame is deemed necessary), as specified therein. The appeal must include all supporting

evidence and state with specificity the reasons the manufacturer believes that the decision is erroneous.

(f) An order or final decision under this section does not preclude any other criminal or civil statutory, common law, or administrative remedy that is available by law to the Postal Service, the United States, or any other person or concern.

§ 501.6 Specifications.

Postage meters must incorporate all the following features and safeguards:

(a) A postage meter is the postage printing die and postage registering mechanism of a mailing machine. It may be integral with the mailing machine or separable. In either case, the licensee must be able to take the meter to the post office for setting or examination.

(b) A meter may be capable of printing one denomination of postage and registering the number of such impressions made (single denomination), or it may be capable of printing varying denominations and registering either multiples of the smallest unit printed (multidenomination) or the currency value of the impressions made (omnidenomination). The printing die or dies, counters, and counteractuating mechanism must be inseparable from the meter, except by the manufacturer.

(c) In each meter, there must be two accurate and dependable counting devices: one ascending and registering the total imprinted, the other descending and registering the unused postage balance. The descending register must actuate a locking mechanism that prevents further operation of the meter after the register descends to zero or an amount less than the largest denomination printable in one operation. In electronic meters, the locking device must prevent printing if the amount to be printed reduces the descending register to less than zero. The construction of the descending register must allow the post office to set any amount of postage or number of impressions within its capacity, prepaid by the licensee.

(d) The entire meter must be encased in a substantial housing to which unauthorized access cannot be gained without creating obvious damage. The descending register must be accessible to the post office by a door equipped with a suitable lock and with provision for a post office seal. The requirement that accessibility to the descending register be restricted does not apply to Computerized Remote Postage Meter Resetting System electronic meters that have no access to the descending register of the meter. Descending

registers on this type of meter are reset electronically by coded input only. The ascending register and all other components must be so shielded as not to be accessible even when the door is open. The readings of both registers must be easily obtainable at any time between operations, by visibility through closed windows, by imprint on tape or card, or by a combination of the two methods. The construction of the housing must make it impossible to alter the readings of the ascending register except by normal operation or impossible to gain access to the internal components, except for setting the descending register under § 501.20(c), without mutilation.

(e) The printing die must either conform in design to one already in use or be approved by the Postal Service. The die must include the serial number of the meter and identification of the manufacturer, and the die must be so constructed or shielded that it is not practically possible without proper registration in the ascending and descending register to obtain imprints fraudulently. The die must be attached to the meter in a manner (such as with breakoff screws) that it is not practicable to remove or replace the die fraudulently.

(f) The meter die must include a postmark to print the name of the city and state from which mail is dispatched and the date of mailing, except as specified by the Postal Service. Information that must appear in the meter postmark and the location of that postmark must be as specified by the Postal Service.

(g) A meter may be designed to print a meter slogan or ad plate to the left of, and next to, the postmark. The size and position of a meter slogan or ad plate must not interfere with or obscure the meter stamp or postmark, and it must be possible to install the plate easily without exposing the meter stamp die. Plates must be made of suitable, durable material that does not soften or disintegrate while in use. Plates must be well-fitted and so securely fastened to the printing mechanism that they do not become loose or detached or otherwise interfere with proper operation of a meter.

(h) The entire meter must be of sufficiently solid, substantial, and dependable construction that protects the Postal Service amply against loss of revenue from fraud, manipulation, misoperation, or breakdown.

(i) In addition to the features and safeguards above, electronic meters must:

(1) Have either nonvolatile ascending and descending registers or a solid-state

memory that stores the data for the ascending and descending registers. Solid-state memories that rely on applied voltage for memory retention must be powered by batteries with a minimum support life of 5 years from the date of battery renewal with no external power applied and with sufficient redundancy to be self-checking.

(2) Be able to display the amounts in both the ascending and the descending registers (not necessarily at the same time).

(3) Be able to display, free from accidental changes, the next amount of postage to be printed.

(4) Be resettable by Postal Service employees, preferably without customized equipment.

(5) Contain a fault-detection device for computational security that automatically locks out the meter and prevents printing of additional postage in the event of malfunction.

(6) Meet Postal Service test specifications in United States Postal Service Specification, Postage Meters, Electronic, Postal Service-M-942 (RDC). Persons wanting to manufacture electronic meters may obtain a copy of this Postal Service test specification from Postal Service Headquarters.

(j) Auxiliary equipment required for the operation of the meters must be part of the final production models submitted for Postal Service approval. Failure of the auxiliary equipment, which could cause malfunction in meter operation, is considered the same as a meter failure.

§ 501.7 Test plans.

To receive Postal Service approval, a postage meter must be tested. Manufacturers of electronic meters must submit a detailed test plan to the Postal Service for approval at least 60 days before conducting the tests. The test plan must include tests that, if passed by a meter, prove compliance by the meter with all postal requirements. The test plan must list the parameters to be tested, test equipment, procedures, test sample sizes, and test data formats. Also, the plan must include detailed descriptions, specifications, design drawings, schematic diagrams, and explanations of the purposes of all special test equipment and nonstandard or noncommercial instrumentation.

§ 501.8 Submission of each model.

Each meter model proposed for manufacture must be approved by the Postal Service after testing at the manufacturer's expense. A preliminary working model that meets the specifications in § 501.6 may be

submitted for tentative approval. No meter of any model may be distributed or used for postage payment until a complete unit made to production drawings and specifications is submitted, tested, and approved, unless authorized for preliminary field testing.

§ 501.9 Security testing.

The Postal Service reserves the right to require or conduct additional examination and testing at any time, without cause, of any meter submitted to the Postal Service for approval or approved by the Postal Service for manufacture and distribution.

§ 501.10 Meter approval.

As provided in § 501.13, the manufacturer has a duty to report security weaknesses to the Postal Service to ensure that each meter model and every meter in service protects the Postal Service against loss of revenue at all times. A grant of approval of a model does not constitute an irrevocable determination that the Postal Service is satisfied with the revenue-protection capabilities of the model. After approval is granted to manufacture and distribute a meter, no change affecting the basic features or safeguards of a meter may be made except as authorized or ordered by the Postal Service in writing.

§ 501.11 Conditions for approval.

(a) The Postal Service may require, and reserves future rights to require, that production models of approved meters be deposited with the Postal Service.

(b) The manufacturer must provide copies of resetting and inspection media to each licensing post office before distribution. The contents of the media must explain how the meter is reset and describe any special or unique features of the meter. The manufacturer must also provide a training video for any new metering product that includes an explanation of how the device is reset as well as recommended methods for detecting evidence of tampering.

(c) As a condition of approval, the manufacturer has a continuing obligation to provide the Postal Service with copies of service manuals and updates to setting instructions. The manufacturer must also promptly provide Retail Systems and Equipment, Postal Service Headquarters, with any additional documentation on request.

(d) On request by the Postal Service, additional meters must be submitted to the Postal Service for testing, at the expense of the manufacturer.

§ 501.12 Suspension and revocation of approval.

(a) The Postal Service may suspend meter approval under § 501.10 if the Postal Service has probable cause to believe that a manufacturer's meter or class of meters poses an unreasonable risk to postal revenue. Suspension of approval to manufacture or distribute a meter or class of meters in whole or in part shall be based on the potential risk to postal revenue. Before determining whether approval of a meter or class of meters should be revoked, the procedures in paragraph (b) of this section shall be followed.

(b) Suspension in all cases shall be as follows:

(1) Upon determination by the Postal Service that a meter poses an unreasonable risk to postal revenue, the Postal Service shall issue a written notice of proposed suspension citing deficiencies for which suspension may be imposed under paragraph (b)(2) of this section. The manufacturer shall be given an opportunity to correct deficiencies and achieve compliance with all requirements within a time limit corresponding to the potential risk to postal revenue.

(2) If the Postal Service determines that the manufacturer has failed to correct cited deficiencies within the specified time limit, the Postal Service shall issue a written notice setting forth the facts and reasons for the decision to suspend and the effective date if a written defense is not presented as provided in paragraph (c) of this section.

(3) If, upon consideration of the defense as provided in paragraph (d) of this section, the Postal Service deems that the suspension is warranted, the suspension shall remain in effect for up to 90 days unless withdrawn by the Postal Service, as provided in paragraph (b)(4)(iii) of this section.

(4) At the end of the 90-day suspension, the Postal Service may:

(i) Extend the suspension in order to allow more time for investigation or to allow the manufacturer to correct the problem;

(ii) Make a determination to revoke the approval of the manufacturer's meter or class of meters; or

(iii) Withdraw the suspension based on identification and implementation of a satisfactory solution to the problem. Manufacturer suspensions may be withdrawn before the end of the 90-day period if the Postal Service determines that the manufacturer's solution and implementation are satisfactory.

(c) The manufacturer may present the Postal Service with a written defense to any suspension or revocation

determination within 30 calendar days of receiving the written notice (unless a shorter period is deemed necessary). The defense must include all supporting evidence and state with specificity the reasons for which the order should not be imposed.

(d) After receipt and consideration of the written defense, the Postal Service shall advise the manufacturer of the decision and the facts and reasons for it. The decision shall be effective on receipt unless it provides otherwise. The decision shall also advise the manufacturer that it may appeal that determination within 30 calendar days of receiving written notice (unless a shorter period is deemed necessary), as specified therein. The appeal must include all supporting evidence and state with specificity the reasons that the manufacturer believes that the decision is erroneous.

(e) An order or final decision under this section does not preclude any other criminal or civil statutory, common law, or administrative remedy that is available by law to the Postal Service, the United States, or any other person or concern.

§ 501.13 Reporting.

(a) For purposes of this section, "manufacturer" refers to the authorized postage meter manufacturer in § 501.1 and its foreign affiliates, subsidiaries, assigns, dealers, independent dealers, employees, and parent corporations.

(b) Each authorized meter manufacturer in § 501.1 must submit a preliminary report to notify the Postal Service promptly (in no event more than 21 calendar days of discovery or 21 calendar days from June 30, 1995) of the following:

(1) All findings or results of any testing known to the manufacturer concerning the security or revenue protection features, capabilities, or failings of any meters sold, leased, or distributed by the manufacturer that have been approved for sale, lease, or distribution by the Postal Service or any foreign postal administration; or have been submitted for approval by the manufacturer to the Postal Service or other foreign postal administration(s).

(2) All potential security weaknesses or methods of meter tampering of the meters that the manufacturer distributes of which the manufacturer knows or should know, and the meter or model subject to each method. These potential security weaknesses include but are not limited to suspected equipment defects, suspected abuse by a meter licensee or manufacturer employee, suspected security breaches of the Computerized Remote Postage Meter Resetting System,

occurrences outside normal performance, or any repeatable deviation from normal meter performance (within the same model family and/or by the same licensee).

(c) Within 45 days of the preliminary notification of the Postal Service under § 501.13(b), the manufacturer must submit a written report to the Postal Service. The report must include the circumstances, proposed investigative procedure, and the anticipated completion date of the investigation. The manufacturer must also provide periodic status reports to the Postal Service during subsequent investigation and, on completion, must submit a summary of the investigative findings.

(d) The manufacturer must establish and adhere to timely and efficient procedures for internal reporting of potential security weaknesses. The manufacturer is required to submit a copy of internal reporting procedures and instructions to the Postal Service for review.

§ 501.14 Administrative sanction on reporting.

(a) Notwithstanding any act, admission, or omission by the Postal Service before June 30, 1995, an authorized postage meter manufacturer may be subject to an administrative sanction for failing to comply with § 501.13.

(b) The Postal Service shall determine all costs and revenue losses measured from the date that the manufacturer knew, or should have known, of a potential security weakness, including, but not limited to, administrative and investigative costs and documented revenue losses that result from any meter for which the manufacturer failed to comply with any provision in § 501.13. The Postal Service shall recover any and all such costs and losses (net of any amount collected by the Postal Service from the licensees or meter users) with interest by issuing a written notice to the manufacturer setting forth the facts and reasons on which the determination to impose the sanction is based. The notice shall advise the manufacturer of the date that the action takes effect if a written defense is not presented within 30 calendar days of receipt of the notice.

(c) The manufacturer may present the Postal Service with a written defense to the proposed action within 30 calendar days of receipt. The defense must include all supporting evidence and state with specificity the reasons for which the sanction should not be imposed.

(d) After receipt and consideration of the defense, the Postal Service shall

advise the manufacturer of the decision and the facts and reasons for it; the decision shall be effective on receipt unless it provides otherwise. The decision shall also advise the manufacturer that it may, within 30 calendar days of receiving written notice, appeal that determination as specified therein.

(e) The manufacturer may submit a written appeal to the Postal Service within 30 calendar days of receipt of the decision. The appeal must include all supporting evidence and state with specificity the reasons that the manufacturer believes that the administrative sanction was erroneously imposed. The submission of an appeal stays the effectiveness of the sanction.

(f) The imposition of an administrative sanction under this section does not preclude any other criminal or civil statutory, common law, or administrative remedy that is available by law to the Postal Service, the United States, or any other person or concern.

§ 501.15 Materials and workmanship.

All meters must adhere to the quality in materials and workmanship of the approved production model and must be manufactured with suitable jigs, dies, tools, etc., to ensure proper maintenance and interchangeability of parts.

§ 501.16 Breakdown and endurance testing.

Each meter model proposed for manufacturing must pass without error or breakdown the following described printing cycle endurance test, which includes operation of the printing mechanism with proper registration of the selected postage value in both the ascending and descending registers. At reasonably frequent intervals, the manufacturer must take meters at random from production and subject them to breakdown tests to make certain that quality and performance standards are maintained.

(a) For meters that operate at 100 or more printing cycles per minute—4 million cycles. For meters that operate at less than 100 printing cycles per minute (and cannot be used interchangeably on power-base machines that operate at 100 or more printing cycles per minute)—2 million cycles.

(b) For multidomination and omnidenomination meters, postage value selection elements must be tested for one-half million operations. A complete operation includes selection of a value and return to zero.

(c) Balance register lockout operation must be done at the start of, at intervals during, and after the printing cycle test.

§ 501.17 Protection of printing dies and keys.

During the process of fabricating parts and assembling postage meters, the manufacturer must exercise due care to prevent loss or theft of keys or of serially numbered postage-printing dies or component parts (such as denomination-printing dies, or auxiliary power supply and meter-setting equipment for electronic meters) that might be used in some manner to defraud the Postal Service of revenue. All serially numbered printing dies produced should be accounted for by assembly into meters or by evidence of mutilation or destruction. Postage printing dies removed from meters and not suitable for reassembly must also be mutilated so that the dies cannot be used or they must be completely destroyed.

§ 501.18 Destruction of meter stamps.

All meter stamps printed in the process of testing dies or meters must be collected and destroyed daily.

§ 501.19 Inspection of new and rebuilt meters.

All new and rebuilt meters must be inspected carefully before leaving the manufacturer's meter service station.

§ 501.20 Keys and setting equipment.

The meter manufacturer must furnish keys and other essential equipment for setting the meters to all post offices under whose jurisdiction its meters are licensed for use. These items must be protected and must not be furnished to persons not authorized by the Postal Service to possess them. The Postal Service shall maintain control over the procurement, manufacture, and distribution of meter security seals. Manufacturers must reimburse the Postal Service promptly for the cost of the seals. All costs associated with meter security seals are apportioned twice annually to the meter manufacturers by the installed base of each manufacturer.

§ 501.21 Distribution facilities.

Authorized manufacturers must keep adequate facilities for and records of the distribution, control, and maintenance of postage meters. All such facilities and records are subject to inspection by Postal Service representatives.

§ 501.22 Distribution controls.

Each authorized postage meter manufacturer must do the following:

(a) Hold title permanently to all meters of its manufacture except those purchased by the Postal Service.

(b) On behalf of applicants, transmit electronically copies of completed PS Forms 3601-A, Application for a License to Lease and Use Postage Meters, to the designated Postal Service central processing facility.

(c) Lease meters only to parties that have valid licenses issued by the Postal Service.

(d) Supply only those meter slogan or ad plates that meet the Postal Service requirements for suitable quality and content.

(e) (1) Have all meters set, sealed (if applicable), and checked into service by the appropriate Postal Service representative before delivering them to licensees. Meters must be checked into service at the licensing post office, unless the meter is serviced under the on-site meter-setting program.

(2) The meter manufacturer must present the meter and a completed PS Form 3601-C, Postage Meter Installation, Withdrawal, or Replacement, to the appropriate Postal Service representative when checking a meter into service.

(3) A meter should show a zero in the descending register before being checked into service. If a zero is not shown, the initial payment must include the residual amount the locked-out meter could not imprint.

(f) Notify Computerized Remote Postage Meter Resetting System licensees of the dates on which meter examinations are due, and notify the licensing post offices of CMRS meters that have not been reset during the previous 3 months and/or are due for an annual examination. Resetting transactions must not be completed by the manufacturer if the meters are not taken to the post office for examination by the due date. Licensees who do not bring in their meters after the initial manufacturer notification must be approached again within 15 days, preferably by personal contact. If a response is not received within another 15 days, the Postal Service shall notify the licensee that the meter is to be removed from service and the meter license revoked, following the procedures for revocation specified by regulation. The Postal Service shall notify the manufacturer to remove the meter from the licensee's location and present it to the licensing post office to be checked out of service within 15 days.

(g) Present meters to the licensing post office to be checked out of service if the licensee no longer wants the meter or if the meter is to be removed from

service for any other reason. Take the meter to the licensing post office for withdrawal, with a completed PS Form 3601-C, Postage Meter Installation, Withdrawal, or Replacement, and copy of the applicable PS Form 3602-A, Record of Meter Register Readings, or equivalent.

(h) Retrieve any misregistering, faulty, or defective meter and present it to the licensing post office to have the meter checked out of service within 3 business days of being notified by the licensee of the defect. After examining a meter withdrawn for apparent faulty operation affecting registration, the manufacturer must furnish a report explaining the malfunction to the licensing post office. That report must include all applicable meter documentation and a recommendation for the appropriate postage adjustment, if applicable, as follows:

(1) *Mechanical meters.* The manufacturer's postage adjustment recommendation for a misregistering mechanical meter must be accompanied by a refund request; a copy of the licensee's PS Form 3610, Record of Postage Meter Settings, and PS Form 3602-A, Record of Meter Register Readings, or equivalent, and the manufacturer's analysis of the licensee's recent mailing history supporting the recommended postage adjustment.

(2) *Electronic meters.* The manufacturer's postage adjustment recommendation for a misregistering electronic meter must be accompanied by a manufacturer-generated summary report of the appropriate redundant electronic register memory readouts for the meter, clearly indicating the register readings; a letter of instruction explaining the summary report; a copy of the licensee's PS Form 3610, PS Form 3602-A, if maintained, and applicable system-generated register documentation (if maintained in lieu of PS Form 3602-A); and an explanation of the meter malfunction that resulted in inaccurate registration, if determined. If a summary report of the appropriate redundant electronic register memory readouts cannot be retrieved, the manufacturer's recommendation must be accompanied by a refund request; a copy of the licensee's PS Form 3610, PS Form 3602-A, and applicable system-generated register documentation (if the PS Form 3602-A is not maintained); and the manufacturer's analysis of the licensee's recent mailing history supporting the recommended postage adjustment.

(i) Report promptly the loss or theft of any meter or the recovery of any lost or stolen meter. The manufacturer must provide notification by the Postal

Service with completing a standardized lost and stolen meter incident report notifying within 30 calendar days of the manufacturer's determination of a meter loss, theft, or recovery. The manufacturer must complete all preliminary location activities specified in § 501.26 before submitting this report to the Postal Service.

(j) Provide the designated Postal Service Information Systems Service Center (ISSC) with a compatible computer magnetic tape, computer diskette, or electronic transmission, listing all licensee meters in service, at the close of business each postal quarter. Include in each file record the meter serial number, model number, the user's name and address, the date that the meter was placed in service, and the ZIP Code or finance number of the licensing post office. Manufacturers are responsible for reconciling differences and keeping accurate records. This reporting includes reconciliation of differences with licensing post offices by the manufacturer's branches or dealers, which results from meters that are not in Postal Service or manufacturer records.

(k) Keep at manufacturer's headquarters a complete record by serial number of all meters manufactured, showing all movements of each from the time that the meter is produced until it is scrapped, and the reading of the ascending register each time the meter is checked into or out of service through a post office. These records must be available for inspection by Postal Service officials at any time during business hours. These records must be destroyed 3 years after the meter is scrapped.

(l) Cancel a lease agreement with any lessee whose meter license is revoked by the Postal Service, remove the meter within 15 calendar days, and have the meter checked out of service.

(m) Promptly remove from service any meter that the Postal Service indicates should be removed from service. When a meter license is canceled, all meters in use by the licensee must be removed from service.

(n) Keep a permanent record by serial number of all meter keys issued to postmasters, as well as those sections of the manufacturer's establishment in which their use of the keys is essential, preferably in the form of signed receipt cards. The record must include the date, location, and details of any loss, theft, or recovery of such keys.

(o) Examine each meter withdrawn from service for failure to record its operations correctly and accurately, and report to the Postal Service the

mechanical condition or fault that caused the failure.

(p) Provide monthly the designated ISSC with a compatible computer tape of lost or stolen meters. The file is due on the first of each month (for the preceding month's activity).

(q) Take reasonable precautions in the transportation and storage of meters to prevent use by unauthorized individuals. Manufacturers must ship all meters by Postal Service registered mail unless given written permission by the Postal Service to use another carrier. The manufacturer must demonstrate that the alternative delivery carrier employs security procedures equivalent to those for registered mail.

(r) Affix to all meters both a cautionary label providing the meter user with basic reminders on leasing, meter movement, and misuse and a barcoded label containing a barcoded representation of the meter serial number.

(1) The cautionary label must be placed on all meters in a conspicuous and highly visible location. Words printed in capital letters should be emphasized, preferably printed in red. The minimum width of the label should be 3.25 inches, and the minimum height should be 1.75 inches. The label should read as follows:

RENTED POSTAGE MEMBER—NOT FOR SALE

PROPERTY OF [NAME OF MANUFACTURER]

Use of this meter is permissible only under U.S. Postal Service license. Call [Name of Manufacturer] at (800) ###-#### to relocate/return this meter.

WARNING! METER TAMPERING IS A FEDERAL OFFENSE.

IF YOU SUSPECT METER TAMPERING,

CALL POSTAL INSPECTORS AT 1-800-654-8896 OR (202) 484-5480.

REWARD UP TO \$50,000 for information leading to the conviction of any person who misuses postage meters resulting in the Postal Service not receiving correct postage payments.

(2) The barcode label must be placed near the stamped serial number and must meet these specifications: Code 3 of 9, ten digits long, with the first two digits being the manufacturer code (01—Ascom Hasler, 02—Pitney Bowes, 03—Francotyp-Postalia, 04—Friden Neopost) and the next eight digits being the meter serial number, zero-filled, right-justified. Additional barcode digits may be used for manufacturer purposes if the Postal Service is notified of the information to be encoded thereby.

(3) Exceptions to the formatting of required labeling are determined on a case-by-case basis. Any deviation from standardized meter labeling requirements must be approved in writing by the Postal Service.

§ 501.23 Administrative sanction.

(a) "Meter" for purposes of this section means any postage meter manufactured by an authorized postage meter manufacturer under § 501.1 that is not owned or leased by the Postal Service.

(b) An authorized manufacturer that, without just cause, fails to conduct or perform adequately any of the controls in § 501.22, to follow standardized lost and stolen meter incident reporting in § 501.26, or to conduct any of the inspections required by § 501.25 in a timely fashion is subject to an administrative sanction based on the investigative and administrative costs and documented revenue losses (net of any amount collected by the Postal Service from the licensee or meter user) with interest per occurrence measured from the date on which the cost and/or loss occurred, as determined by the Postal Service. Sanctions shall be based on the costs and revenue losses that

result from the manufacturer's failure to comply with these requirements.

(c) The Postal Service may impose an administrative sanction under this section by issuing a written notice to the manufacturer setting forth the facts and reasons on which the determination to impose the sanction is based. The Postal Service shall determine all costs and losses. The notice shall advise the manufacturer of the date that the action shall take effect if a written defense is not presented within 30 calendar days of receipt of the notice.

(d) The manufacturer may present to the Postal Service a written defense to the proposed action within 30 calendar days of receipt of the notice. The defense must include all supporting evidence and state with specificity the reasons for which the sanction should not be imposed.

(e) After receipt and consideration of the written defense, the Postal Service shall advise the manufacturer of the decision and the facts and reasons for it. The decision shall be effective on receipt unless it provides otherwise.

(f) The manufacturer may submit a written appeal of the decision within 30 calendar days of receiving the decision, addressed to the manager of Retail and

Customer Service, Postal Service Headquarters. The appeal must include all supporting evidence and state with specificity the reasons that the manufacturer believes that the administrative sanction was erroneously imposed. The submission of an appeal stays the effectiveness of the sanction.

(g) The imposition of an administrative sanction under this section does not preclude any other criminal or civil statutory, common law, or administrative remedy that is available by law to the Postal Service, the United States, or any other person or concern.

§ 501.24 Meter replacement.

The manufacturer must keep its postage meters in proper operating condition for licensees by replacing them when necessary or desirable to prevent mechanical breakdown.

§ 501.25 Inspection of meters in use.

(a) The manufacturer must have all its meters in service with licensees inspected according to the following schedule. A high-volume mailer is defined as one who has annual metered postage in excess of \$12,000.

BILLING CODE 7710-12-P

Meter Type	Monthly	Quarterly	Semiannually	Annually
Mechanical	Special Circumstances	High-Volume Licensees Using System Meters	Other Licensees Using System Meters	Stand-Alone Meters
Electronic	Special Circumstances		High-Volume Licensees Using Non-CMRS System Meters	All CMRS and Other Electronic Meters

BILLING CODE 7710-12-C

(b) Manufacturer inspections must be sufficiently thorough to determine that each meter is clean, in proper operating condition, and recording its operations correctly and accurately. The manufacturers must:

(1) Compare the meter serial number on the meter with the serial number on the source document (manufacturer's records).

(2) Record the ascending and descending register readings and calculate the total readings. Record the locking-seal identification number.

(3) Obtain the licensee's PS Form 3602-A, Record of Meter Register Readings, or equivalent, and a copy of the most recent PS Form 3603, Receipt for Postage Meter Setting, and verify the control total after the last setting with

the control total calculated during the proof-of-register procedure.

(4) Verify the accuracy of postage selection, denomination indicator wheels or electronic display, and denomination printing wheels following the proof of registers by printing a .00 meter stamp and then comparing the register readings with the recorded register readings.

(5) Check to determine that the post office locking seal is in place and properly sealed and that the seal wire is properly wound and tightly gripped by the seal-locking mechanism, and tightly pulled up to the lock cover or post. Ensure that the locking-seal identification number matches the seal number recorded at the time of the last meter resetting.

(6) Check to determine that the lock cover properly protects the lock and has not been loosened, bent, or tampered with.

(7) Complete the following, as applicable to the specific meter model:

(i) Check to ensure that the meter fits properly on the meter base.

(ii) Check all breakoff screws to determine that no screw is missing or loose or shows signs of removal.

(iii) Operate the dater and meter ad selector dials to test the dater, postmark die, and meter ad plate.

(iv) Check the alignment and condition of engraving on the denomination printing wheels, when visible.

(v) Check the descending register door for damage, pry marks, or scarring.

Make certain that the door cannot be opened without unlocking it.

(vi) Examine the meter drum for damage, pry marks, or scarring.

(vii) Examine the meter cover for pry marks or scarring near the post office lock or breakoff screws, any drilled holes, or any signs of attempted entry into the internal mechanism of the meter.

(viii) Examine the meter stamp die for excessive wear, damage, breakage, or scars from prying, and the postage die retaining screws for signs of wear to ensure that none is missing or shows signs of removal.

(ix) Check the register, counter, and display windows for breakage or cloudiness.

(x) Obtain the signature of the licensee to show that a meter inspection has taken place.

(8) Report immediately to the licensee's licensing postmaster any irregularity in the operation of the meter or sign of improper use, and take steps to replace or remove the meter.

§ 501.26 Meters not located.

Upon learning that one or more of its postage meters in service cannot be located, the manufacturer must undertake reasonable efforts to locate the meters by following a series of Postal Service-specified actions designed to locate the meters. If these efforts are unsuccessful and a meter is determined to be lost or stolen, the manufacturer must notify the Postal Service within 30 days by submitting a Lost and Stolen Meter Incident Report.

(a) If a licensee cannot be located, the manufacturer must, at a minimum, complete the following actions:

(1) Call the licensee's last known telephone number.

(2) Call directory assistance for the licensee's new telephone number.

(3) Contact the licensee's local post office for current change of address information.

(4) Contact the local post office for a copy of the applicable PS Form 3610 and PS Form 3601-C. Verify the location of the meter or licensee currently maintained in those meter records.

(5) Contact the rental agency responsible for the property where the licensee was located, if applicable.

(6) Visit the licensee's last known address to see whether the building superintendent or a neighbor knows the meter licensee's new address.

(7) Check the centralized meter inspection file for change of address notation.

(8) Mail a certified letter with return receipt to the licensee at the last known

address with the notation "Forwarding and Address Correction Requested."

(9) If new address information is obtained during these steps, any scheduled meter inspections must be completed promptly.

(b) If a meter is reported to be lost or stolen by the licensee, the manufacturer must, at a minimum, complete the following actions:

(1) Ensure that the meter licensee has filed a police report and that copies have been provided to the appropriate Inspection Service Contraband Postage Identification Program (CPIP) specialist.

(2) Withhold issuance of a replacement meter until the missing meter has been properly reported to the police and to the appropriate Inspection Service CPIP specialist.

(c) If the manufacturer later learns that the meter has been located and/or recovered, the manufacturer must update lost and stolen meter activity records, inspect the meter promptly, initiate a postage adjustment or transfer if appropriate, and check the meter out of service if a replacement meter has been supplied to the meter licensee.

(d) If a meter reported to the Postal Service as lost or stolen is later located, the manufacturer is responsible for submitting a new Lost and Stolen Meter Incident Report that references the initial report and outlines the details of how the meter was recovered. This report must be submitted to the Postal Service within 30 days of recovery of the meter. The meter manufacturer is also responsible for purging lost and stolen meter reports that are provided on a periodic basis to the Postal Service ISSC for those meters that have been recovered.

(e) Any authorized manufacturer that fails to comply with standardized lost and stolen reporting procedures and instructions is subject to an administrative sanction under § 501.23, as determined by the Postal Service.

§ 501.27 Repair of internal mechanism.

Repair or reconditioning of meters involving access to internal mechanisms must be done only within a factory or suitable meter repair department under the manufacturer's direct control and supervision. Meters must be checked out of service by the post office of setting before they are opened or internal repairs are undertaken.

§ 501.28 Computerized remote postage meter resetting.

(a) *Description.* The Computerized Remote Postage Meter Resetting System (CMRS) permits postal licensees using specially designed postage meters to reset their meters at their places of

business via telephonic communications. Authorized meter manufacturers that offer CMRS services are known as meter resetting companies (MRCs). To reset a meter, the licensee telephones the MRC and provides identifying data. Before proceeding with the setting transaction, the MRC must verify the data and ascertain from its own files whether the licensee has sufficient funds on deposit with the Postal Service. If the funds are available or the manufacturer opts to provide a funds advance in accordance with paragraph (b)(5) of this section, the MRC may complete the setting transaction.

(b) *Deposits with the Postal Service.*

(1) Deposits in the Postal Service Fund at Treasury are backed in full faith and credit by the U. S. Treasury.

(2) A CMRS licensee is required to have funds available on deposit with the Postal Service before resetting a meter or the manufacturer may opt to provide a funds advance in accordance with paragraph (b)(4) of this section. The details of this deposit requirement are covered within the Acknowledgment of Deposit Requirement document. By signing this document, the licensee agrees to transfer funds to the Postal Service through a lockbox bank, as specified by the MRC, for the purpose of prepayment of postage. The MRC representative must provide all new CMRS licensees with this document when a new account is established. The document must be completed and signed by the licensee and sent to the licensing post office by the MRC.

(3) The MRC is required to incorporate the following language into its meter rental agreements:

Acknowledgment of Deposit Requirement

By signing this meter rental agreement, you represent that you have read the Acknowledgment of Deposit Requirement and are familiar with its terms. You agree that, upon execution of this Agreement with [the MRC], you will also be bound by all terms and conditions of the Acknowledgment of Deposit Requirement, as it may be amended from time to time.

(4) The licensee is permitted to make deposits in one of three ways: check, electronic funds transfer (or wire transfer), or automated clearinghouse (ACH) transfer. These deposits are to be processed by the lockbox bank. The lockbox bank must wire daily all available balances to the Postal Service.

(5) If the MRC chooses to offer advancement of funds to licensees, the MRC is required to maintain a deposit with the Postal Service equal to at least 1 day's average funds advanced. The total amount of funds advanced to

licensees on any given day may not exceed the amount the manufacturer has on deposit with the Postal Service. The MRC is not authorized to perform settings in excess of the licensee's balance in any other circumstance. The Postal Service shall not be liable for any payment made by the MRC on behalf of a licensee that is not reimbursed by the licensee because the MRC is solely responsible for the collection of advances.

(c) *Revenue protection.* The Postal Service shall conduct periodic assessments of the revenue protection safeguards of each MRC system and shall reserve the right to revoke an MRC's authorization if the CMRS system does not meet all requirements set forth by the Postal Service. In addition, the Postal Service shall reserve the right to suspend the operation of the MRC for any serious operational deficiency that is likely to result in the loss of funds to the Postal Service as provided in § 501.12.

(d) *Equipment.* The meters used in the computerized resetting system must conform to the specifications in § 501.6. They must be tested under § 501.7 and conform to the safeguards, distribution, and maintenance requirements of §§ 501.15 through 501.23 to protect the Postal Service against loss of revenue from fraud, manipulation, misoperation, or breakdown.

(e) *Financial operation.* (1) Before the Postal Service's selection of a lockbox provider, the MRC must establish a lockbox account in the name of the Postal Service at a bank or banks approved by the Postal Service to handle the deposits of licensees. The MRC must make arrangements with such banks under which the banks are to inform the manufacturer of the amounts of licensee funds received each banking day.

(2) The Postal Service lockbox bank processes the CMRS deposits daily, consolidates the data, and performs a direct file transmission to each MRC. The daily deposit processing cutoff times and the automated file transmission times are coordinated independently with each of the MRCs.

Manufacturers must ensure that their data center computers are programmed to reflect each licensee deposit and track all licensee activity.

(3) The MRC must require each licensee that requests meter resetting to provide the meter serial number, the licensee account number, and the meter's ascending and descending register readings. The manufacturer must verify that the information provided to the licensee is consistent with its records. The MRC must also verify that there are sufficient funds in the licensee's account to cover the postage setting requested before proceeding with the setting transaction (unless the manufacturer opts to provide the licensee a funds advance). Immediately following each such resetting, the MRC must charge the licensee's account for the amount of the postage reset. After the completion of each transaction, the manufacturer must promptly provide the licensee with a statement documenting the transaction and the balance remaining in the licensee's account. As an alternative, the manufacturer may provide a statement monthly that documents all transactions for the period and that shows the balance in the licensee's account after each transaction.

(4) Each banking day, the lockbox bank is to transfer, by 10 a.m. local time, amounts payable to the Postal Service from the transactions during the previous day to a designated Federal Reserve Bank. The MRC must maintain licensee service activity data to accept and respond to inquiries from licensees concerning the status of their payments. The lockbox bank must provide the MRCs with a nationwide, toll-free telephone number for licensee service. The Postal Service lockbox bank must assign a dedicated senior level licensee service representative to handle all inquiries and investigations.

(5) The Postal Service requires that the MRCs publicize to all CMRS licensees the following payment options (listed in order of preference):

- (i) Automated clearinghouse (ACH) debits/credits.
- (ii) Electronic funds transfers (wire transfers).

(iii) Checks.

(6) Licensee check deposits must be mailed to a predetermined post office box address specified by the lockbox bank and accompanied by a preencoded deposit ticket. The Postal Service provides CMRS customers with deposit tickets for inclusion with check payments. At the time a new account is opened, a licensee not possessing a preencoded deposit slip must present the initial payment to the MRC representative who in turn assigns the licensee a new account number and manually prepares a deposit ticket to be mailed to the lockbox bank for processing.

(7) If a licensee prefers to use a payment form other than a check, the licensee must contact the MRC representative for instructions, and the MRC must provide the licensee with the appropriate information regarding the use of ACH debits/credits and electronic funds transfers (wire transfers).

(8) Returned checks and ACH debits are the responsibility of the Postal Service. In the case of a returned check, the Postal Service lockbox bank, after an automatic second presentment, advises the MRC of the account in question so that the MRC data file can be locked. The MRC must lock the licensee account immediately so that the licensee is unable to reset the meter until the Postal Service receives payment in full for the check returned. The lockbox bank provides collection services for returned checks on behalf of the Postal Service. The Postal Service lockbox bank notifies the MRC once this item is paid. The MRC then releases the account for activity.

(f) *Refunds.* The Postal Service issues a refund to a licensee for any unused postage in a meter. Refunds of licensee balances maintained by the Postal Service in the Postal Service fund are intended to be made directly to the licensee by the lockbox bank within 48 hours after receipt of a licensee's request.

(g) *Reports.* The manufacturer must provide reports according to the following schedule:

Report description	Content	Frequency	Medium
MRC CMRS Daily Activity Report	Summary of Business Activity	Daily	Paper (facsimile).
Revenue Allocation Report	ZIP Code of Licensing Post Office; Amount of Resettings.	Postal Accounting Period	Electronic.
Postage Refunds Report	Customer ID; ZIP Code; Amount of Refund.	Daily (by request only)	Paper.
Funds Advanced Report	Customer ID; ZIP Code; Amount of Funds Advanced.	Daily (by request only)	Paper.

(h) *Inspection of records and facilities.* The manufacturer must make its facilities that handle the operation of the computerized resetting system and all records about the operation of the system available for inspection by

representatives of the Postal Service at all reasonable times.

Stanley F. Mires,
Chief Counsel, Legislative.

Note: The following report and Postal Service forms are published for information

only and will not be codified in the Code of Federal Regulations.

BILLING CODE 7710-12-P

Exhibit A**Lost and Stolen Meter Incident Report**

(To be filed within 30 days of determining that a meter is lost, stolen, or recovered)

1. Report code: _____
2. Report number: _____
3. Report date: _____
4. Occurrence date: _____
5. Manufacturer's code: _____
6. Meter serial number: _____
7. Model number: _____
8. Licensing post office finance number: _____
9. Meter license number: _____

A. Administrative Details

10. Accountable district/branch/dealer:

11. Complete address (including ZIP+4):

12. Complete name and last known address of licensee:

13. Indicate whether the licensee is a third-party mailer:

14. Police report number, if stolen:

Note: For stolen meters, a copy of the applicable police report must be attached to the stolen report. For recovered meters, a copy of the original lost or stolen report must be attached to the recovery report.

15. Name, precinct, and address of applicable police department:

16. For **lost or stolen** meters:

Last known register readings:

- Ascending: _____
- Descending: _____
- Seal number: _____
- Date of last setting: _____

Date of last manufacturer's inspection: _____

17. For **found or recovered** meter:

- Reference initial report number: _____
- Meter date reading at time of recovery: _____

Lost and Stolen Meter Incident Report [DRAFT]

Exhibit A**B. Circumstances**

18. Details of loss or recovery (include time, place, name of individual who reported incident, and all pertinent facts):

19. Indicate any history of other meters reported as lost or stolen by this customer and attach all reports relating to these instances:

C. Report Distribution

Concurrent distribution of this report must be made to the licensing post office and the applicable Inspection Service Contraband Postage Identification Program (CPIP) specialist.

20. Name and address of licensing post office:

21. Name and address of applicable Inspection Service CPIP specialist:

D. Report Certification

The following certify that this report was accurately completed and submitted after the actions specified in 39 CFR 501.26 were followed:

22. Printed name and signature of person completing the report:

23. Printed name and signature of supervisor:

The submission of false, fictitious, or fraudulent statements can result in imprisonment of up to 5 years and a fine of up to \$10,000 (18 U.S.C. 1001).

Failure to report a lost or stolen meter according to standardized reporting procedures outlined in 39 CFR 501.26 and/or 39 CFR 501.22 can result in an administrative sanction. Additionally, lost and stolen meter activity reports must be submitted upon locating or recovering a meter that has been reported as lost or stolen. The submission of a lost and stolen meter activity report does not relinquish the manufacturer's responsibility to update input for the national computerized quarterly lost and stolen report.

Lost and Stolen Meter Incident Report [DRAFT]

Exhibit A**Missing Meters Required Actions
(39 CFR 501.26)****If a meter licensee cannot be located, do the following:**

1. Call licensee's last known telephone number.
2. Call directory assistance for new telephone number.
3. Contact local post office for current change of address information.
4. Contact local post office for a copy of Form 3610 and Form 3601-C for indication of new address.
5. Contact rental agency responsible for property where licensee was located.
6. Visit licensee's last known address to determine whether building superintendent or a neighbor knows licensee's new address.
7. Check centralized meter inspection file for change of address notation.
8. Mail a certified letter with return receipt to licensee at last known address, and add notation "Forwarding and Address Correction Requested" on the envelope.

If a meter licensee reports a lost or stolen meter, do the following:

1. Ensure that meter licensee has filed a police report and that copies have been provided to appropriate Contraband Postage Identification Program (CPIP) postal inspector.
2. Do not issue a replacement meter without ensuring that missing meter has been properly reported to police and to Inspection Service.

Exhibit B

U.S. Postal Service
Application for a License to Lease and Use Postage Meters
 (Complete and submit original signed form to the post office where metered mail will be deposited.)

Post Office Where Mail to Be Deposited:
 Name: _____ State: _____ ZIP Code: _____

A. Applicant

1. Business Name: _____ 2. Telephone: () _____
3. Corporate Business Customer Information System (CBCIS) Number (if known): _____
4. Business Tax Identification Number: _____
5. Corporate Business Agent (if applicable): _____
6. Federal Agency Code (for U.S. official mail [penalty indicia]) - - - - -
7. Mailing Address (delivery):
 Address: _____
 City: _____ State: _____ ZIP+4: _____ Fax Number: _____
8. Physical Street Address (if mailing address is a post office box or different from above):

 City: _____ State: _____ ZIP+4: _____

B. Business Profile

1. Company's primary business function: _____
2. Give us your best estimate of postage usage:

- a. Anticipated Annual Metered Postage:

Less than \$7,000	[]
\$7,000 to \$12,000	[]
\$12,001 to \$25,000	[]
More than \$25,000	[]

- b. Annual Percentage of Metered Mail:

Letters	_____ %
Flats	_____ %
Parcels	_____ %

3. Does your business anticipate mailing metered mail at discounted rates? [] Y [] N
4. Does your business have an authorization to use permit imprints at this or any other post office? [] Y [] N
5. Does your business prepare or process mail for other (third) parties? [] Y [] N
6. Does your business currently hold any other meter licenses at this or any other post office? [] Y [] N

If yes, list:

Post Office	City	State	ZIP Code	License Number
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

7. Have you or your business ever had a meter license revoked? [] Y [] N
- If yes, provide specific details (including dates and licensing post office):** _____

Exhibit B

The collection of this information is authorized by 39 U.S.C. 401 and 404. This information will be used to administer postage meter activities. As a routine use, the information may be disclosed to an appropriate government agency, domestic or foreign, for law enforcement purposes; where pertinent, in a legal proceeding to which the U.S. Postal Service is a party or has an interest; to a government agency in order to obtain information relevant to a Postal Service decision concerning employment, security clearances, contracts, licenses, grants, permits, or other benefits; to a government agency upon its request when relevant to its decision concerning employment, security clearances, security or suitability investigations, contracts, licenses, grants, or other benefits; to a congressional office at your request; to an expert, consultant, or other person under contract with the Postal Service to fulfill an agency function; to the Federal Records Center for storage; to the Office of Management and Budget for review of private relief legislation; to an independent certified public accountant during an official audit of Postal Service finances; to a labor organization as required by the National Labor Relations Act; and to disclose the identity and address of user and identity of agent to any member of the public. Completion of this form is voluntary; however, if this information is not provided, you may not receive meter services.

C. Certification

The application must be signed and submitted to the U.S. Postal Service by a corporate officer or an individual within the business with the authority to sign checks.

I hereby certify that all information furnished on this form is accurate and truthful.

Applicant's Signature: _____ Date: _____

Printed Name: _____ Contact Telephone: () _____

Business Title: _____

Exhibit C

**U.S. Postal Service
Postage Meter Installation, Withdrawal, or Replacement**

Installation Withdrawal Replacement

Reason for Meter Activity:

New Meter Model Change Mechanical Failure
 Register Failure Cancellation of Lease USPS Revocation of License
 Other: _____

Explanation: _____

<p>A. Licensee Information</p> <p>Meter License Number: _____</p> <p>Licensee Business/Individual Name: _____</p>

<p>B. Meter Location</p> <p>Address: _____</p> <p>City: _____ State: _____ ZIP+4: _____</p> <p>Contact Person: _____ Telephone: _____</p> <p>Meter Indicia Option Requested:</p> <p>1. City: _____ State: _____</p> <p>2. Name of Classified Branch: _____ State: _____</p> <p>3. ZIP Code Designation: _____</p> <p>4. Military APO/FPO: _____</p>

C. Meter Information	
Withdrawn Meter	Installed Meter
Meter Manufacturer: _____	Meter Manufacturer: _____
Model Number: _____	Model Number: _____
Serial Number: _____	Serial Number: _____
Locking Seal Number: _____	Locking Seal Number: _____
Ascending Register: _____	Ascending Register: _____
Descending Register: _____	Descending Register: _____
Control Total: _____	Control Number: _____

Exhibit C**D. Refunded/Transferred Postage**

Postage Refunded \$ _____ Postage Transferred \$ _____

Refund Not Determined and/or Locally Authorized (*provide explanation*)

Explanation: _____

E. Manufacturer's Authorized Representative

Name (*typed*) and Title: _____

Employee ID #: _____

Dealer/Branch Office Code #: _____

Address: _____

City: _____ State: _____ ZIP+4: _____

Telephone: _____

Signature: _____

The submission of a false, fictitious, or fraudulent statement can result in imprisonment of up to 5 years and a fine of up to \$10,000 (18 U.S.C. 1001).

F. USPS Representative

**Round Stamp Here
(required)**

Name (*typed*) and Title: _____

Post Office, Station, or Branch Location: _____

Signature: _____

PS Form 3601-C [DRAFT]