

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

**AGENCY:** Postal Service.

**ACTION:** Proposed rule.

**SUMMARY:** This proposal would revise existing Domestic Mail Manual (DMM) and Domestic Mail Manual Transition Book (DMMT) standards regarding the manufacture, distribution, and use of postage meters and would introduce new regulations in title 39, Code of Federal Regulations (CFR), to clarify postal standards concerning the manufacture and distribution of postage meters.

Currently all meter standards pertaining to the manufacturer and distribution of meters and postal internal instructions regarding meters are contained in the DMMT, an interim handbook for postal standards. Postal standards regarding meter manufacturers are being revised and published in 39 CFR part 501. The proposed rules would allow the Postal Service to tighten controls over the manufacture, distribution, and use of meters with the goal of better protecting postal revenues. These changes are designed to increase the amount of information available to the Postal Service to facilitate effective management and control of the meter program. In addition, security controls are being supplemented to ensure that proper postage is being paid and that the risk of postage meter misuse is minimized.

**DATES:** Comments must be received on or before March 17, 1995.

**ADDRESSES:** Written comments should be mailed or delivered to the Manager, Mailing Systems Development, Room 8406, 475 L'Enfant Plaza SW., Washington, DC 20260-6807. Copies of all written comments will be available for inspection and photocopying between 9 a.m. and 4 p.m., Monday through Friday, in Room 8430, at the above address.

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

**SUPPLEMENTARY INFORMATION:** Postage meters represent a widely accepted means for payment of postage. There are approximately 1.4 million postage meters in use, which accounted for approximately \$18 billion of Postal Service revenues in FY 1994. The widespread use of meters can be attributed to the flexibility and convenience they convey to postal customers, including:

- Printing variable amounts of postage on virtually any class of mail to allow use of exact postage.
- Facilitating automated mail preparation operations for customers.
- Providing flexibility to comply with postage rate changes by affixing correct postage with a simple resetting procedure.
- Allowing licensees to purchase larger amounts of postage at a single resetting to reduce trips to the local post office.
- Providing a secure means for licensees to keep more accurate accounting records of postage utilized.
- Reducing the cost of applying postage for licensees.
- Providing remote "telephonic" resetting for licensee convenience.

Postage meters are available to Postal Service licensees only by lease from authorized manufacturers. The Postal Service holds manufacturers responsible for the control, operation, maintenance, and replacement (when necessary) of their meters. Traditionally, record-keeping of meters and meter licenses has been handled in a decentralized manner, primarily by local postmasters.

In 1991, the Postal Service identified opportunities for improving the efficiency and effectiveness of the Postal Service postage meter program. Three specific recommendations for improving the management of the meter program were identified:

1. Establishment of a central management group and development of meter control systems to manage the meter program.
2. Development of increased security mechanisms.
3. Introduction of new technology to improve the tracking and control of meters and the financial transactions associated with their use.

Further study by the Postal Service supported these initial recommendations, and independent investigations by the Postal Inspection Service also uncovered instances of postage meter fraud and identified a substantial risk of loss of postal revenues. In the past 2 years, the United States Postal Service (USPS) Inspection Service has uncovered 16 cases in which mailers have used varying techniques to duplicate or force the application of postage meter impressions without payment of postage. Although the nature of meter fraud is such that its extent is unknowable, in these cases alone, it is estimated that the Postal Service sustained losses in excess of \$16 million. This estimate is expected to grow following resolution of current cases. The USPS Inspection Service has

been aggressively pursuing these cases through arrests, indictments, and administrative and civil remedies. The problem was so critical that it drew the attention of Congress and resulted in a General Accounting Office investigation and report that supported earlier Postal Service findings. The results of these investigations have mandated the Postal Service to enhance the financial controls associated with the meter program.

After three joint meetings with authorized meter manufacturers to discuss proposed regulatory changes, the Postal Service has considered all and adopted many of the oral and written comments that were provided in connection with these sessions. In conjunction with an independent research firm, the Postal Service convened six groups of meter licensees representing small-, medium-, and large-volume meter licensees to solicit their comments. Revisions have been incorporated in the proposed regulations to reflect many of the meter licensees' suggestions. The Postal Service also gave notice of its intention to publish this notice of proposed rulemaking and invited interested parties to attend a public meeting held on December 13, 1994. 59 FR 61302 (November 30, 1994). The Postal Service presented a summary of proposed regulations at the public meeting and solicited comments and suggestions from attendees. The Postal Service responded to inquiries made during the meeting and advised participants to provide additional comments in writing. The Postal Service reviewed all inputs from attendees and included suggestions in the final proposed regulations as warranted. Transcripts of the public meeting and subsequent written comments are available for review and photocopying at USPS Headquarters, 475 L'Enfant Plaza, Room 8430, Washington DC 20260-6807.

The Postal Service has drafted proposed regulations and program changes to tighten security and fiscal control of postage meters. The following proposed regulations are designed to:

- Reduce fraud associated with the misuse of postage meters.
- Permit licensees to gain a better understanding of meter use and Postal Service licensee requirements.
- Develop an efficient system to capture and track meter population data on a national basis to facilitate centralized management decisions and to provide a means for dissemination of information for decentralized program administration.
- Provide a transition from a paper-based management system to efficient

automated processes for management of the meter program.

- Provide the necessary mechanisms to recover lost and stolen meters and therefore reduce the potential for meter misuse and fraud.

The proposed regulations fall into four general categories: Meter security, administrative controls, other issues, and Computerized Meter Resetting System (CMRS). Each is discussed in turn.

## I. Meter Security

### A. Integrity Weakness and Design Deficiencies

The Postal Service has followed a practice of absorbing postage revenue losses even if such losses occur after a meter manufacturer knows or should have known of any defect that compromises meter security and/or revenue protection and fails to notify the Postal Service accordingly. Proper reporting of these instances would minimize revenue losses both by establishing a dialogue leading to the early identification of potential security weaknesses and by facilitating development and implementation of corrective technical or administrative actions.

Prompt notification of all potential security weaknesses identified in a particular meter or class of meters is necessary to protect postal revenues. The Postal Service depends on manufacturers to identify and notify the Postal Service of any potential security weaknesses. Postal Service notification of security concerns serves the following objectives:

- **Problem Quantification**—to determine whether similar problems exist in other meters made by that manufacturer.
- **Commonality**—to determine whether similar problems are inherent to meters distributed by other manufacturers because there are similarities in security features.
- **Meter Authorization**—to facilitate development of a database of known security issues to ensure systemic review of new meters presented for evaluation to avoid similar weaknesses.

Historically, the Postal Service has relied on voluntary reporting by the meter manufacturers to identify integrity weaknesses and design deficiencies in their meters. Experience has shown that voluntary reporting of this information has not been satisfactory. Recent information received from outside sources has identified security weaknesses and instances of abuse that, if known, would have alerted the Postal Service to

security weaknesses of meters used earlier in the United States. This knowledge, regardless of whether the meter is approved for use in the United States, would allow the Postal Service to preserve the security and use of the postage meter payment process and thereby protect Postal Service revenues. This measure would also protect meter licensees. If the Postal Service is kept apprised of security weaknesses in meters, it will be less likely to approve meters that might be withdrawn later. Meter licensees will thus be less likely to purchase mailing systems that are compatible with a single meter that is withdrawn at a later date as a result of emergent security issues.

The Postal Service proposes that 39 CFR 501.13, Reporting, specify manufacturers' responsibilities in notifying the Postal Service of security weaknesses of meters distributed in the United States and/or foreign markets. Manufacturers must submit a preliminary report to the manager of Mailing Systems Development (MSD), USPS Headquarters, within 21 calendar days of the date an authorized dealer, agent or employee of such, or any employee of the manufacturer identifies a potential meter security weakness. Potential security weaknesses that must be reported include known or suspected equipment defects, suspected abuse by a meter licensee or manufacturer employee, suspected security breaches of Computerized Meter Resetting System (CMRS) information systems, occurrences outside normal performance, or any repeatable deviation from normal meter performance (within the same model family and/or by the same licensee). Preliminary reports regarding meter security weaknesses may be communicated by telephone; however, the manufacturer's corporate headquarters must submit a formal written report of each potential security weakness to USPS Headquarters within 45 days of the preliminary notification. Formal written notification must include the circumstances, proposed investigative procedure, and the expected completion date of the investigation. Periodic status reports are to be submitted during the subsequent investigation, and a summary of the findings is to be prepared and submitted on completion.

The Postal Service proposes to impose administrative sanctions against manufacturers that do not comply with these reporting requirements. Manufacturers are responsible for providing a timely and efficient channel for internal reporting, and they are required to provide the Postal Service

with a copy of their internal policy and instructions associated with these reporting procedures. Sanctions for noncompliance with these reporting time frames include liability for the costs of investigation and documented revenue losses that can be traced to any meter for which the manufacturer failed to file a report in accordance with prescribed procedures, net of any amount collected from the meter users. Losses will be measured from the date that an authorized dealer, agent or employee of such, or any employee of the manufacturer knew or should have known of a potential meter security weakness.

### 39 CFR Part 501 References:

- § 501.13, Reporting.
- § 501.14, Administrative sanction on reporting.

### B. Meter Manufacturers' Inspections

The Postal Service recognizes the importance of periodic inspections by manufacturer representatives. Such inspections provide the following advantages:

- **Prevention**—Because the meter licensee understands that meters are subject to periodic unannounced on-site inspections by the meter manufacturer (which include recording of interim register readings and seal numbers, and visual inspection for signs of tampering), meter users are deterred from misusing meters to avoid the payment of postage.

- **Detection**—Inspections provide a mechanism for uncovering attempts to misuse meters. Inspections by meter-knowledgeable personnel can uncover situations in which mailers are defrauding or misusing meters to avoid payment of postage.

- **Uncovering Missing Meters**—Periodic manufacturer on-site meter inspections serve to minimize the number of meters that are reported missing as a result of licensees relocating without notifying the Postal Service or manufacturers. Periodic on-site visits ensure that the location and identity of meters and meter users are updated periodically, and any meters that cannot be located will be reported promptly as lost or stolen.

- **Additional Meter Accountability**—Visual inspections of meters by manufacturer personnel provide the Postal Service with verification of register readings (control totals), locking mechanisms, and seal identification numbers, and these inspections also provide assurance that the meter is being maintained in an appropriate manner by the licensee. Because postage meters remain the property of the meter

manufacturers, they benefit by inspecting their "inventory" to ensure its continued viability.

- Identification of Malfunctioning Meters—Periodic manufacturer inspections facilitate identification of malfunctioning meters (e.g., not indicating or recording correct register readings, worn or deteriorated plate imprints) and ensure that the tracking, control, and operational mechanisms are functioning properly between meter settings.

- Complete Meter Inspection—On-site meter inspections are the only means to inspect postage meters in a fully operational or "live" environment. When meters are examined by Postal Service employees, they are unable to operate the meters (e.g., printing .00 indicia) because certain meters are not operational when unattached to a meter base. Manufacturer inspections provide a mechanism for ensuring that meters are functioning and printing indicia correctly.

- Enhancement of Postal Service Examination Procedures and Controls—Periodic manufacturer inspections supplement ordinary setting and periodic Postal Service examinations in the joint manufacturer-Postal Service effort to ensure that postage meters are accounted for and functioning properly.

- Increase in Manufacturers' Visibility—Periodic meter inspections ensure that meter manufacturers maintain communication channels with meter licensees and provide an opportunity to determine licensees' meter requirements and disseminate meter changes to meter users.

- Assurance for Lessor of Compliance With Postal Regulations—Periodic inspection of licensee equipment assures meter users that their meters are properly maintained and that they are in compliance with postal regulations. This serves to protect the licensees from situations in which mail might be refused as a result of deteriorated equipment.

Postal regulations require that manufacturers have all meters in service inspected twice annually at approximately 6-month intervals. Some manufacturers have not been able to comply with this requirement. Over the past several years, meter manufacturers have asked the Postal Service to consider alternatives to the semiannual inspection requirements.

By definition, each postage meter must have an ascending counting device (which registers the total amount of postage imprinted) and a descending counting device (which registers the balance of unused postage). Electronic meters have either nonvolatile registers or solid-state memories to store the postage data. System meters contain the printing die and registers for a mailing machine, but they are detachable for setting and examination. Stand-alone meters are used independently of any other mailing equipment. Experience and security evaluations have shown that different models of meters and different types of users of meters are subject to varying levels of risk; therefore, all meters do not need to be inspected at the same frequency.

As a consequence of the Postal Service's assessment of varying levels of risk of fraud, the Postal Service

proposes to revise inspection schedules in 39 CFR 501.25, Inspection of Meters in Use. The new schedules will be based on meter and licensee characteristics. The inspection schedule better relates to the demonstrated security risks associated with mechanical and electronic meters, system meters, and the use of Computerized Meter Resetting System (CMRS). The Postal Service will develop a central tracking system to monitor the inspection of meters by manufacturers.

The Postal Service proposes to require less frequent inspections of electronic meters and stand-alone meters, but more frequent inspections of mechanical and system meters. Electronic, stand-alone, and CMRS meters provide the Postal Service with a higher degree of security. These meters generally possess additional security features (such as redundant register memories). Stand-alone meters also have low volume capacity. Therefore, inspection frequencies for these meters will be decreased under the new inspection standards.

With respect to the meter licensee, inspection frequencies would generally vary with the licensee's mailing volume level. Proposed standard inspection intervals are shown in the table below; however, the Postal Service may require more frequent inspections in special circumstances. The revised inspection frequencies will concentrate on the higher risk meters and users but will, in total, result in fewer required inspections than were mandated by prior meter standards published in the DMMT.

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.

The Postal Service also proposes to impose sanctions in 39 CFR 501.23, Administrative sanction, against manufacturers who do not perform 100 percent of the required inspections. The proposed sanctions would permit the Postal Service to recover costs and revenue losses (net of any amount collected from the meter users) that result from the manufacturer's failure to conduct all required inspections. Imposition of sanctions for noncompliance with Postal Service meter inspection schedules does not affect the requirement that the manufacturer conduct meter inspections

that have not been completed. Additionally, the Postal Service may suspend further distribution of meters by a manufacturer that fails to comply with relevant inspection requirements.

**39 CFR Part 501 References**

- § 501.5, Suspension and revocation of authorization.
- § 501.23, Administrative sanction. Domestic Mail Manual Transition Book (DMMT) 144.962, redrafted as § 501.25, Inspection of meters in use.

*C. Custody of Suspect Meters*

Currently DMM P030.2.4, Licensee Responsibilities, provides that meters in

the licensee's custody and the records of meter transactions or the latest Postal Service (PS) Form 3603, Receipt for Postage Meter Setting, must be available for examination or audit on request by the Postal Service or meter manufacturer. This section authorizes the Postal Service to examine meters and meter records on-site, at the licensee's place of business. However, there is no provision to allow postal inspectors to withdraw from service meters suspected of being manipulated for forensic examination. Inspectors must either obtain a federal search warrant or request the meter

manufacturer to withdraw the meter from service. In most instances, there is only reasonable suspicion that a meter has been tampered with or has failed to lock out, thus falling short of the probable cause necessary to obtain a warrant. Requesting the meter manufacturer to take custody of suspect meters might create problems in any resulting litigation.

The Postal Service proposes to amend DMM P030.2.4 and add section P030.2.5, Custody of Suspect Meters, to authorize postal inspectors to conduct unannounced on-site examinations of meters suspected of being manipulated or failing to lock out. Postal inspectors will also be authorized to withdraw a suspect meter from service without a warrant for physical and/or laboratory examination, thus enhancing an inspector's ability to uncover postage meter fraud and protect postal revenues.

#### **39 CFR Part 111 References:**

Domestic Mail Manual (DMM) P030.1.3, Possession  
DMM P030.2.2, Licensee Agreement  
DMM P030.2.4, Licensee Responsibilities  
DMM P030.2.5, Custody of Suspect Meters

#### *D. Missing Meters*

Current standards mandate that manufacturers must provide the designated Information Systems Service Center (ISSC) with a compatible computer tape of lost and stolen meters quarterly. Lost and Stolen Meter Activity Reports are used by post offices and the Inspection Service in locating/recovering missing meters. Meters that are actually lost or stolen could be tampered with without detection because they are not inspected by the Postal Service or the manufacturer. The Postal Service is concerned that manufacturers do not always apply reasonable efforts to ensure the accuracy of lost and stolen meter reports. The Postal Service has found that, in some circumstances, the exercise of reasonable effort would have permitted the manufacturer to locate a significant portion of meters that were incorrectly reported as lost or stolen. Additionally, the Postal Service has found that, in a number of cases where meters were reported as lost or stolen and later located, the manufacturer failed to notify the Postal Service. As a result, the Postal Inspection Service has unnecessarily expended resources investigating the disappearance of some meters reported to be lost or stolen but in fact recovered by the manufacturer. Current recovery procedures and reporting formats differ significantly among manufacturers. As a result, the reliability and accuracy of lost and

stolen meter reports can vary with the level of each meter manufacturer's effort and standard operating procedure.

Currently, meter manufacturers must notify designated postal inspectors of missing and recovered meters through established irregularity reporting procedures. Meter manufacturers are also responsible for updating a national computerized quarterly lost and stolen meter report that is distributed by the Minneapolis ISSC. The Postal Service proposes implementation of a new standardized meter incident reporting process that will provide the consistent and uniform data and procedures necessary to improve the overall effectiveness of the recovery process.

Standardized meter incident reports (shown in Exhibit A) will supplement this notification process and will facilitate compilation of monthly input for the manufacturers' national lost and stolen meter reporting. Manufacturers will be required to complete lost and stolen meter incident reports that will detail circumstances relating to the loss, theft, or recovery of postage meters. The report must be filed within 30 days after a meter is determined to be lost, stolen, or subsequently recovered. The manufacturer will be required to follow detailed instructions in attempting to locate a meter before that meter may be reported as lost or stolen. The manufacturer's representative must certify compliance. Distribution of the incident report will be made to the licensing post office and the Inspection Service.

The Postal Service also proposes to impose an administrative sanction against any manufacturer that without just cause fails to comply with these standardized reporting procedures or that without just cause fails to report a meter that is known to be lost or stolen. This administrative sanction is also proposed against any manufacturer that without just cause fails to report the recovery of a lost or stolen meter. These administrative sanctions are designed to permit the Postal Service to recover investigative and administrative costs for lost and stolen meters and any documented revenue losses (net of any amount collected from the meter users) that occur as a result of a manufacturer's failure to follow standardized lost and stolen meter incident reporting procedures. Proposed reporting procedures include the monthly update of the national computerized lost and stolen meter report.

#### **39 CFR Part 111 References**

DMM P030.2.8, Missing Meters

#### **39 CFR Part 501 References**

§ 501.22, Distribution controls.  
DMMT 144.952(f), redrafted as § 501.22(i), Distribution controls.  
§ 501.22(j), Distribution controls.  
§ 501.23, Administrative sanction.  
DMMT 144.963, redrafted as § 501.26, Meters not located.

#### *E. Shipment of Meters*

The loss or theft of postage meters represents a substantial risk to postal revenues regardless of whether it is a live meter (with postage set) or a meter that has not yet been checked into service. Registered mail is one of the safest means of shipping postage meters, and the Postal Service requires that all meters be shipped by registered mail. Shipment of meters by private carrier does not necessarily provide adequate security and control mechanisms and can result in the loss or mishandling of postage meters. This, in turn, may lead to meter misuse and significant revenue loss to the Postal Service.

The Postal Service proposes to mandate that all meters be shipped via registered mail. The Postal Service will, however, consider requests by the manufacturers to ship meters via private carrier on a case-by-case basis. Manufacturers that fail to comply with standards for meter shipment will be subject to an administrative sanction. Licensees that fail to comply with these standards will be subject to license revocation.

#### **39 CFR Part 111 References**

DMM P030.2.9, Returning Meters

#### **39 CFR Part 501 References**

§ 501.22(q), Distribution controls.  
§ 501.23, Administrative sanction.

#### *F. Security Seals*

Whenever a postage meter is checked into service or additional postage is set into a non-CMRS meter, a postal employee must seal the meter to prevent unauthorized personnel from tampering with the meter. Currently, this task is accomplished using lead seals that are crimped into place with pliers. These lead seals and sealing pliers are supplied by authorized meter manufacturers.

Traditional lead seals are not adequately secure. The Postal Service has been testing new security seals that offer greater security. These new security seals have unique serial identification numbers that can be recorded when the meter is sealed. Additionally, these new meter seals are recyclable and are more environmentally acceptable than the traditional lead composition.

The Postal Service proposes to replace current meter seals with new security seals. When meters are checked into service, or additional postage is set on a non-CMRS meter, the serial identification numbers on the new security seals will be appropriately documented to facilitate subsequent verification that the meter has not been opened or tampered with. It is the responsibility of the licensee to ensure that the security seals and serial identification numbers remain intact between meter settings and/or examinations.

Meter seals will now be requisitioned directly from Postal Service's area supply centers rather than from the meter manufacturer's headquarters. The proposed rule clarifies that the manufacture and procurement process for the new seals will be under the control of the Postal Service. The costs associated with these new seals will continue to be the responsibility of the manufacturers. The Postal Service recognizes that some meters do not use seals and that some meters will require seals less frequently than others (such as CMRS meters, which are sealed at check-in and resealed only after Postal Service examinations). Seal costs will be computed based on the average seal usage per meter type. All costs will be apportioned by the manufacturer's installed base of meters. Manufacturers will be billed for the seals semiannually. Seal costs are estimated to be \$0.10 per seal.

#### **39 CFR Part 501 References**

DMMT 144.341(d), redrafted as § 501.22(e), Distribution controls.  
DMMT 144.946, redrafted as § 501.20, Keys and setting equipment.

#### *G. Meter Labeling*

The Postal Service proposes to require meter manufacturers to apply two standardized information labels to each postage meter leased prior to having a meter checked into service as outlined in 39 CFR 501.22(r).

A cautionary label must be applied that provides the meter user with basic reminders on leasing, meter movement, and misuse. A second label must be applied that contains a barcoded representation of the meter serial number. Meters without the required labels will not be placed into service if they are presented at a post office with the labels missing. Manufacturers that fail to comply with labeling requirements will be subject to administrative sanctions under § 501.23.

Cautionary labels will serve to deter fraud by advising licensees of the penalties associated with using meters

in a fraudulent manner. The serial number barcode will increase the efficiency and accuracy of examination, setting, and audits by postal employees.

Labeling of meters in this fashion provides clear and unequivocal notice to the meter user that tampering or misuse of a postage meter is a federal offense and disseminates the telephone number for providing information concerning known or suspected abuses.

Exceptions to the formatting of required labeling will be determined on a case-by-case basis. Any deviations from standardized meter labeling requirements must be approved in writing by the manager of Mailing Systems Development.

#### **39 CFR Part 111 References**

DMM P030.2.4g, Licensee Responsibilities

#### **39 CFR Part 501 References**

§ 501.22(r), Distribution controls.  
§ 501.23, Administrative sanction.

#### *H. Postage Meter Testing*

In order for a postage meter to be approved by the Postal Service it must be tested for reliability, durability, and security. With the introduction of advanced technology, a greater emphasis is being placed on testing by the manufacturers, or by certified laboratories on their behalf, and in the manufacturer's submission of test plans and supporting documentation. The Postal Service has arranged for independent experts to assist in the evaluation of the security features associated with these products. In order to ensure revenue protection, a meter model may be examined for security by the Postal Service anytime before or after approval. Suspension and revocation of meter approval for security weaknesses is discussed in part II.E, Suspension and Revocation, of this proposed rule. If requested by the Postal Service, manufacturers are required to provide service manuals, setting instructions, meter specifications, and additional documentation. This documentation is necessary for the Postal Service to conduct robust meter testing.

#### **39 CFR Part 501 References**

§ 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.  
§ 501.16, Breakdown and endurance testing.

## **II. Administrative Controls**

### *A. Postage Meter Refunds*

The introduction of electronic meters brought new technology to the market place, as well as new problems. Older mechanical meters used a series of geared wheels with numbers on them (registers) to record the ascending and descending cash values within the meter. Newer postage meters have replaced the mechanical wheels with electronic registers. (The term electronic register is a carryover from the mechanical geared wheels, but it is more correctly referred to as electronic memory.) When connected to digital displays, memory chips provide the same functionality, without moving parts. The information retained in these memories is generally powered by a small battery located within the meter case. There are usually more than one of these electronic registers within each meter to provide a redundant fail-safe mechanism.

If the values in the meter's memories become unreadable from either a failure of the displays or a catastrophic failure of one or more of the electronic registers, the meter is returned to the manufacturer's plant for analysis and recommendation of the amount to be refunded to the licensee. The manufacturer provides the Postal Service with appropriate redundant electronic register documentation (e.g., a register readout) that identifies which register values were extractable from the meter. Experience has demonstrated that such redundant electronic registers are a reliable source of information to determine the amount of unused postage remaining in a meter.

There are some cases, however, where appropriate redundant electronic register documentation will *not* reveal any information about the descending register or the amount of funds remaining on the meter before the failure. In these cases, the meter manufacturer provides a recommendation regarding the amount to be refunded based on an analysis of prior meter settings and daily meter usage from the licensee's PS Form 3602-A, Record of Meter Register Readings, or electronic equivalent. The meter manufacturer then submits its recommendation on the amount to be refunded to the postmaster of the licensing post office. Typically, the refund is issued by the post office for the recommended amount with no further investigation. The Postal Service proposes to strengthen and streamline controls over the refund process by limiting the number of sites authorized to make refunds. In those instances

where appropriate redundant electronic register memory documentation cannot be retrieved, the Postal Service will analyze historical information (e.g., mailing statements, PS Form 3602-A or electronic equivalent, and PS Form 3610, Record of Postage Meter Settings) to determine the amount to be refunded.

The Postal Service proposes to establish new procedures to enhance control over electronic meter register refunds and expedite the refund process as follows:

1. If an electronic meter register fails, the licensee must provide the meter manufacturer's representative with the meter and a copy of the completed PS Form 3602-A to have the meter checked out of service. If the registers do not adequately document the correct postage adjustment, the manufacturer's representative must return the meter to the manufacturer's control facility for further analysis.

2. If appropriate redundant electronic register memory documentation can be retrieved by the manufacturer's control facility, the manufacturer will provide a refund recommendation and supporting documentation to the licensing post office to initiate the appropriate refund to the meter licensee.

3. If appropriate redundant electronic register memory documentation cannot be retrieved, the manufacturer will send all documents, including the refund request, to MSD, USPS Headquarters, with a complete analysis of the licensee's recent mailing history supported by the original PS Form 3602-A (or electronic equivalent) and a copy of PS Form 3610. MSD will review the supporting documentation and forward the package to the postmaster of the licensing post office for determination of the correct postage adjustment, if any.

4. Licensees may appeal meter refunds to the manager of MSD, USPS Headquarters.

#### **39 CFR Part 111 References**

DMM P030.3.8, Postage Adjustments, Misregistering Meters

#### **39 CFR Part 501 References**

§ 501.22(g), Distribution controls.  
DMMT 144.364, redrafted as § 501.22(h), Distribution controls.

#### **B. Use of PS Form 3602-A**

The Postal Service proposes to require meter users to maintain a PS Form 3602-A or electronic equivalent for each meter in use. This form documents helpful information to determine the appropriate postage adjustment in the event of register failures. The licensee will be required to enter the readings of the ascending and descending registers

each day of meter operation on PS Form 3602-A or maintain at least 12 months' equivalent information electronically generated by the meter. The licensee will be required to present PS Form 3602-A to the post office when the meter is reset or examined.

PS Form 3602-A has been used as a primary document for supporting the calculation of the descending register when there is a total loss of register memory within the meter. However, because its use is currently optional, in some instances manufacturers have had to estimate average daily usage to recommend postage adjustments. If a meter's registering mechanisms fail, and the PS Form 3602-A or electronic equivalent is not available, the Postal Service will not grant a postage adjustment without other valid supporting documentation.

#### **39 CFR Part 111 References**

DMMT 144.212, redrafted as DMM P030.2.1, Procedures  
DMM P030.2.4, Licensee Responsibilities  
DMM P030.3.7, Transferring and Refunding Postage  
DMM P030.3.8, Postage Adjustments, Misregistering Meters

#### **39 CFR Part 501 References**

DMMT 144.364, redrafted as § 501.22(g), Distribution controls.  
DMMT 144.383, redrafted as § 501.22(h), Distribution controls.

#### **C. Meter Licensing Procedures**

Existing postage meter licensing procedures do not provide sufficient information on the applicant and the applicant's business for adequate administration of the meter program. The current application process allows a mailer to obtain a meter prior to obtaining a license, and without any verification by the Postal Service of information provided about that licensee. Improved licensing procedures will provide the following advantages:

- Applicant Identification—Provides more detailed information about the applicant prior to issuance of a meter license to enable the Postal Service to identify licensees and maintain centralized records of approved licensees.
- Market Analysis—Facilitates the compilation of marketing information to aid in the identification and assessment of licensees' needs and requirements.
- Automated Tracking—Promotes data capture and population of an automated nationwide meter activity to support a tracking database.
- Continuous Update—Allows implementation of mechanisms to update meter/licensee information.

The Postal Service proposes to change meter licensing procedures to require

that more comprehensive information be provided on the meter application. This information will be verified concurrently with the processing of the license by the Postal Service. The Postal Service goal is to achieve a 24-hour turnaround for applications electronically transmitted by a meter manufacturer. Receiving applications electronically will minimize the time required to process a license application and will permit the Postal Service to verify the correctness of the address information contained therein.

The Postal Service is working with all the meter manufacturers to develop a system to facilitate the electronic collection of licensee application information to promote efficiency and minimize application processing time. Applicants will still have the option to submit an application directly to the post office where they intend to deposit metered mail, but the processing will be completed at a Postal Service designated central processing center. Applicants may appeal a decision denying a license in accordance with DMM P030.1.9.

The license application (shown in Exhibit B) will request business and mailing profile information to determine estimated volume and type of mail that will be metered by the licensee. To ensure that the manufacturers can maintain control of meters leased to licensees and that Postal Service records reflect the correct location of these meters, licensees will periodically be sent a preprinted document reflecting the license and meter information currently on file with the Postal Service. Licensees will be responsible for verifying, updating, and returning this information to the Postal Service.

#### **39 CFR Part 111 References**

DMM P030.1.9, Appeals  
DMM P030.2.1, Procedures  
DMM P030.2.2, Licensee Agreement  
DMM P030.2.3, Refusing to Issue a Meter License  
DMM P030.2.4, Licensee Responsibilities

#### **39 CFR Part 501 References**

DMMT 144.21, redrafted as § 501.22(b), Distribution controls.  
DMMT 144.355(a), redrafted as § 501.22(e), Distribution controls.

#### **D. Performance Regulations**

The Postal Service is aware of instances of noncompliance with current control regulations by manufacturers. For example:

- Meters have been shipped or leased to customers who do not hold a valid license.
- Meters have been supplied to licensees without having been checked into service.

- Meters and accountable supplies have been found stored by manufacturer branches or dealers in unsecured areas.

- Manufacturers have failed to maintain a complete rental history for meters, and they have failed to cancel leases or remove meters when instructed to do so by the Postal Service.

The Postal Service proposes that any manufacturer that without just cause fails to conduct or adequately implement the performance controls detailed in 39 CFR 501.22 be subject to an administrative sanction. Specific sanctions will be determined on a case-by-case basis and will permit the Postal Service to collect administrative and investigative costs, as well as documented revenue losses from the licensee or user. These sanctions will be strictly remedial in nature to collect costs and/or revenue losses (net of any amount collected from the meter users) resulting from manufacturer noncompliance.

### 39 CFR Part 501 References

§ 501.5, Suspension and revocation of authorization.

DMMT 144.952, redrafted as § 501.22, Distribution controls.

§ 501.23, Administrative sanction.

### E. Suspension and Revocation

#### 1. Policy and Procedure

Meter manufacturers must be authorized by the Postal Service to manufacture and distribute postage meters. Violation of Postal Service meter standards by a manufacturer can result in the suspension or revocation of the manufacturer's authority to manufacture and distribute meters. Additionally, if a certain meter model or meter class is determined to possess a security weakness, the Postal Service may suspend or revoke authorization for the manufacture or distribution of that meter or class of meter, pending analysis of potential security flaws.

The Postal Service proposes to clarify procedures pertaining to the suspension and/or revocation of a manufacturer's authorization to manufacture and distribute postage meters, a specific meter, or class of meter.

Suspension of the authority to distribute any or all of a manufacturer's postage meters will remain in effect for up to 90 days, pending analysis of the potential security flaws, or, in the case of suspension of a manufacturer's authorization to manufacture and distribute meters, investigation of the specific circumstances and violations, to determine whether authorization should be revoked. At the end of the 90-day period, the manager of MSD may:

- Extend the suspension in order to allow more time for investigation or to allow the manufacturer to correct the problem.

- Make a determination to revoke authorization to manufacture and/or distribute a manufacturer's meters in part or in whole or approval of a meter or class of meters.

- Withdraw the suspension based on implementation of a satisfactory solution to the problem.

#### 2. Manufacturer's Authorization

The Postal Service, represented by the manager of MSD, retains the right to suspend or revoke production and/or distribution of any or all of a manufacturer's meters if the manufacturer engages in any unlawful scheme or enterprise, or fails to comply with Postal Service meter standards. In deciding to suspend or revoke the manufacturer's authorization to manufacture and distribute meters, the manager will take into account 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 the manufacturer's performance history.

The manufacturer will be issued a written notice setting forth the facts of and reasons for the suspension or revocation, and will be advised of the effective date of the suspension or revocation if a written defense is not presented within 30 calendar days of the notice (unless a shorter time frame is deemed necessary). Except in cases of willful violation, the manufacturer will be given an opportunity to correct deficiencies and achieve compliance with all requirements within a reasonable time limit, as determined by the manager of MSD. The manufacturer can appeal a decision suspending or revoking an authorization to manufacture and distribute postage meters to the manager of Customer Service Support, USPS Headquarters.

#### 3. Specific Meters or Classes of Meters

The manager of MSD may also order suspension or revocation of production and/or distribution of a manufacturer's specific model or class of meter if such model or class poses an unreasonable risk to postal revenues. The manufacturer will be issued a written notice setting forth the facts of and reasons for the decision to suspend or revoke authorization to manufacture and/or distribute a specific meter or class of meter, and will be advised of

the effective date if a written defense is not presented within 30 calendar days of the notice (unless a shorter time frame is deemed necessary). The manufacturer will be given an opportunity to correct deficiencies and achieve compliance with all requirements within a reasonable time limit, as determined by the manager of MSD. The manufacturer can appeal the decision to the manager of Customer Service Support.

### 39 CFR Part 501 References

§ 501.5, Suspension and revocation of authorization.

§ 501.12, Suspension and revocation of approval.

DMMT 144.933, redrafted as § 501.9, Security testing.

### F. Installations and Withdrawals

Meters being installed into service must be checked in and meters being withdrawn from service must be checked out by a Postal Service representative. Currently there are no standardized documentation procedures to record the entry and exit of meters from service. The introduction of a standardized reporting process will allow for greater control of the entry and exit of meters and will provide an audit trail for determining the assignment of specific postage meters.

The Postal Service has developed a standardized format for recording the installation and withdrawal of postage meters from service. PS Form 3601-C, Postage Meter Installation, Withdrawal, or Replacement (shown in Exhibit C), will be used to record pertinent information regarding meters that are introduced or withdrawn from service. To install or withdraw a meter, the manufacturer will be required to present to the licensing post office (or the Postal Service representative at the manufacturer's direct distribution center) the postage meter, a completed PS Form 3601-C, the mailer's license (PS Form 3601-B), and a copy of the licensee's PS Form 3602-A (if the meter is being checked out of service).

### 39 CFR Part 111 References

DMM P030.1.3, Possession

DMM P030.3.1, Initial Setting

DMM P030.3.2, Licensee Relocation

DMM P030.3.9, Computerized Meter Resetting System

### 39 CFR Part 501 References

DMMT 144.343, redrafted as § 501.22(g), Distribution controls.

DMMT 144.355(a), redrafted as § 501.22(e), Distribution controls.

DMMT 144.36, redrafted as §§ 501.22(g) and 501.22(h), Distribution controls.

### III. Other Issues

#### A. Taking a Meter Outside the United States

Licensees have attempted to take postage meters outside the United States for purposes of preparing mail at a foreign location and entering the mail into the United States. This presents a security problem because the Postal Inspection Service does not have immediate access to the meter when it is taken outside the United States, its territories, or its possessions. The Postal Service has advised licensees individually of its long-standing policy that meters may not be taken outside the United States, its territories, or its possessions. The Postal Service proposes to clarify its regulations accordingly. Failure to comply with this standard is grounds for revocation of the licensee's meter license.

#### 39 CFR Part 111 References

DMM P030.2.7, Revocation of License

#### B. Licensee Reporting of Faulty or Defective Meters

Licensees are responsible for reporting misregistering or otherwise defective meters to the meter manufacturer. If a meter's printing or recording mechanism is faulty, or a meter fails to lock out properly when all set postage has been metered, and the sum of the two register values (control total) does not equal the control total on the PS Form 3602-A at the time of the last setting, the licensee must ensure that the meter is not used. The licensee is required to contact the meter manufacturer's representative in order to have the defective meter presented at the licensing post office within 3 business days to have the meter checked out of service.

#### 39 CFR Part 111 References

DMM P030.2.5, redrafted as DMM P030.2.6, Defective Meters

#### 39 CFR Part 501 References

DMMT 144.225, redrafted as § 501.22(h), Distribution controls.  
DMMT 144.361, redrafted as § 501.22(h), Distribution controls.

#### C. Quarterly Meter Reports

Currently, authorized meter manufacturers are required to provide the Postal Service with a computer magnetic tape listing of all licensee meters in service, at the close of each reporting period, in a Postal Service designated format. The Postal Service proposes to expand reporting requirements so that each record must include the meter serial number and model number, the user's name and address, and the ZIP Code and finance

number of the licensing post office. Manufacturers are also responsible for reconciling differences with the Postal Service, which result from meters that are not on Postal Service or manufacturer's records. Manufacturers are required, under special circumstances, to provide this data on a more frequent basis on request by the Postal Service.

#### 39 CFR Part 501 References

DMMT 144.952(g), redrafted as § 501.22(j), Distribution controls.

#### D. Postal Service Examination of Meters

Current meter standards require non-CMRS meters not reset within a 6-month period to be brought to the setting or licensing post office for an examination. Similarly, CMRS meters must be examined semiannually. The Postal Service proposes to change the examination requirements as described in the following two paragraphs.

A non-CMRS meter not reset within a 3-month period must be presented for examination by the postal facility where it is regularly set or examined. CMRS meters will need to be presented for examination only annually if reset at least once every 3-month period. Less frequent examinations of CMRS meters are made possible by the added security features of the CMRS resetting process whereby the meter resetting company (MRC) verifies the meter serial number, licensee's account number, and the meter's ascending and descending register readings at the time of each setting. In effect, this verification checks the operational integrity of the meter. Manufacturers must report all CMRS meters that have not been reset during the prior quarter to the licensing post office, and they must contact licensees to instruct them to present their meters for examination within 15 days of being notified by the manufacturer. Failure to comply with this standard is grounds for revocation of the licensee's meter license.

Information collected by the Postal Service during meter licensee focus groups with small, medium, and large meter users suggests that most meters are set on a quarterly or more frequent basis. Therefore, although examination requirements under this new rule are more stringent for licensees that do not have their meters set regularly, the impact on licensees should be minimal. Meters that are not set or examined on a frequent basis are more susceptible to meter tampering without detection because the Postal Service cannot verify that the meters are operating correctly and have not been tampered with to avoid the payment of postage.

#### 39 CFR Part 111 References

DMM P030.2.4, Licensee Responsibilities  
DMM P030.3.11, Periodic Examination of CMRS Meters

#### 39 CFR Part 501 References

DMMT 144.383, redrafted as § 501.22(f), Distribution controls.

#### E. Training Media

Postal Service training publications and security guidelines have not kept up with the introduction of new meter models, changes in direct distribution plans, and turnover of Postal Service retail clerks. Manufacturers have more specialized knowledge and expertise in working with their meters than Postal Service employees. Therefore, the Postal Service is clarifying existing manufacturer requirements for providing documentation relating to training materials and operating instructions for their meters.

The Postal Service proposes that, as a condition of approval, manufacturers are responsible for providing licensing post offices with resetting and inspection media for their meters prior to distribution. The contents of this media must include an explanation of how the meter is reset and an explanation of any special or unique features of the meter. The manufacturer must also provide a training video for new metering products that includes an explanation of how the device is reset as well as recommended methods for detecting evidence of tampering. Manufacturers are also responsible for ensuring that these media are updated as necessary and for providing the Postal Service with additional meter documentation on request.

#### 39 CFR Part 501 References

§ 501.11(b), Conditions for approval.  
§ 501.11(c), Conditions for approval.

### IV. Computerized Remote Postage Meter Resetting System

The Computerized Meter Resetting System (CMRS) currently involves four entities: the authorized meter manufacturer that offers CMRS service (meter resetting company or MRC), a commercial bank providing a lockbox service, a trustee bank, and the Postal Service. Licensee payments are mailed to the commercial bank lockbox account and are then wire-transferred to the trustee bank. Each business day, the trustee bank wire-transfers the value of the previous day's meter settings to the Postal Service fund at the New York Federal Reserve Bank. Under the current financial arrangement, the Postal Service has no control over the investment of licensee deposits by the

trustee bank or the movement of those funds.

The Postal Service proposes changes to the current financial arrangement to allow the Postal Service to have more direct control of licensee payments and balances within CMRS. With developments in banking technology, there is no valid reason for retaining licensee funds in commercial bank trust accounts prior to transfer to the U.S. Treasury account of the Postal Service. The practice of holding funds in a commercial account exposes customer funds to an unnecessary risk. The Postal Service has concluded that the commercial bank trust account is not necessary to maintain the customer service provided by CMRS. Proposed system changes will involve the following adjustments:

- The commercial trustee bank account will be eliminated.
- All advance meter resetting balances will be wired to the Postal Service fund.
- All future licensee trust fund balances will be maintained in the Postal Service fund.
- The commercial lockbox bank account will become a Postal Service account.

The changes are likely to reduce substantially expenditures for banking service of the MRC, especially because payment for the fees of the lockbox bank would be absorbed by the Postal Service. In addition, advances are costly and time consuming; these changes would benefit the MRC because the number of advances is likely to decline owing to the decline in mail float. Moreover, the current requirement for the posting of a bond by the MRC is eliminated. The requirement that manufacturers have on deposit 1 day's average resettlings would be amended to the manufacturer's advantage. If the MRC chooses to offer advancement of funds to licensees, it 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 shall not exceed the amount the manufacturer has on deposit with the Postal Service.

The Postal Service further believes that the cash management improvements included in the revised procedures will improve service for CMRS licensees. Upgrading the cash management arrangements to reflect current banking technology will reduce significantly the amount of time licensees must have their funds remaining idle in trust accounts. The requirement for at least three strategically located lockbox bank collection, processing, and clearing locations will reduce mail-float time and the length of time before meters can be reset. Electronic automated clearinghouse (ACH) debits/credits and electronic funds transfer (or wire transfer) are to be offered at no cost to all CMRS licensees. The combination of reduced mail-float time and the addition of electronic payment options should reduce the need for licensee fund advances from the MRC. These changes should reduce fund advance fees paid by the licensee to the MRC. Customer service is expected to improve because the amount of the total advance deposits maintained for licensees will decline under the new arrangements. Moreover, because the total cost of CMRS to licensees, including interest forgone on their funds, will be reduced, the Postal Service believes that more licensees will take advantage of the service.

These improvements also lessen the risk to funds on deposit for postage. Because there is no longer a commercial bank trustee holding those deposits, they could be on deposit in the Postal Service fund. The 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.

#### **39 CFR Part 111 References**

DMM P030.3.12, Resetting CMRS Meters

#### **39 CFR Part 501 References**

DMMT 144.38, redrafted as § 501.28, Computerized remote postage meter resetting.

DMMT 144.97, redrafted as § 501.28, Computerized remote postage meter resetting.

In addition to the substantive changes concerning manufacture, distribution, and use of meters discussed above, the Postal Service also intends to reorganize and renumber standards pertaining to the use, manufacture, and distribution of meters. Currently, standards generally pertaining to the manufacture and distribution of meters are set forth in the Domestic Mail Manual Transition Book (see 58 FR 34887 (June 30, 1993) and 59 FR 31655 (June 20, 1994)), while standards generally pertaining to the use of meters are published in the Domestic Mail Manual. The Postal Service proposes to renumber and publish the former as amended as 39 CFR part 501. Part 144 of the Domestic Mail Manual Transition Book would accordingly be rescinded with the exception of §§ 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 144.7. These sections generally contain internal instructions for postal employees and are to be amended and published in an internal handbook following publication of final rules in connection with this rulemaking. Domestic Mail Manual standards generally governing the use of meters would be published as revised below. Editorial changes to the proposed standards are not intended to create any substantive change. The following charts show the proposed changes to 39 CFR parts 111 and 501 and cross-references previous regulations.

BILLING CODE 7710-12-P

Old DMM P030 Reference	New DMM P030 Reference	Changes and Notations
1.1	1.1	None.
1.2	1.2	Editorial changes. Authorized manufacturer names and addresses would be updated.
1.3	1.3	Editorial changes.
1.4, 1.5, 1.6, 1.7	1.4, 1.5, 1.6, 1.7	None.
1.8, 1.9	1.8	1.8, Meter Documentation, and 1.9, Markings and Endorsements, would be combined into one section and renumbered as 1.8, Meter Documentation, Markings, and Endorsements.
-	1.9	New 1.9, Appeals, would be added to specify appeal procedures for licensees and applicants.
2.0	2.0	None.
2.1	2.1	Would be modified to include electronic transmission of license applications by the manufacturer. Would require all licenses to be processed at a central processing location.
2.2	2.2	2.2 would be renamed from Customer Agreement to Licensee Agreement. Portions of 2.7 would be incorporated into 2.2, and clarify restrictions regarding taking meters out of the United States.
2.3	2.3	Editorial changes.
2.4	2.4	Would require use of Postal Service (PS) Form 3602-A. Examination requirements reference III.D above. License revocation for failure to comply with examination requirements. Modifications to licensing procedures. Reporting of malfunctioning meters. Labeling requirements.
-	2.5	New 2.5, Custody of Suspect Meters, would be added concerning postal inspectors authority for on-site visits and withdrawing suspect meters. Reference I.C above.
2.5	2.6	To be renamed from Faulty Printing or Recording to Defective Meters. Changes procedures when a meter's registers are faulty or defective. Manufacturers required to check meters out of service with a specific time frame and provide a replacement meter.
2.6	2.7	2.6, Place of Mailing, would be incorporated into 2.7(e), Revocation of License.
2.7	2.7	Would add removing meter from the United States as grounds for license revocation.
-	2.8	New 2.8, Missing Meters, would be added concerning reporting requirements for missing meters.
-	2.9	New 2.9, Returning Meters, would be added to specify the procedures for returning meters to the manufacturer whenever the meter is defective or no longer wanted by the licensee.
3.0	3.0	None.
3.1	3.1	Would require use of new PS Form 3601-C for meter installations, withdrawals, or replacements.
3.2	3.2	Editorial changes.

3.3	3.3	Editorial changes.
3.4	3.4	Would be renamed from Alternate Locations to Alternative Meter Setting Location. Editorial changes.
3.5	3.6	Would be renumbered.
3.6	-	3.6, Manufacturer Withdrawal, would be moved to 39 CFR 501.22(g) and 501.22(i).
3.7	3.5	Renumbered.
3.8	3.7	Renumbered.
-	3.8	New 3.8, Postage Adjustments, Misregistering Meters. Requirements would be expanded to include new procedures for processing refunds for defective meters.
3.9	3.8	3.9, Manufacturer's Statement, would be incorporated into 3.8, Postage Adjustments, Misregistering Meters.
3.10	3.9	3.10, CMRS, would be renamed and renumbered as 3.9, Computerized Meter Resetting System. Requirement added for use of PS Form 3601-C, Meter Installation, Withdrawal, or Replacement.
3.11	3.10	3.11, Postage Transfer, would be renamed and renumbered as 3.10, Postage Transfer for CMRS. Editorial changes.
3.12	3.11	3.12, Periodic Examination, would be renamed and renumbered as 3.11, Periodic Examination of CMRS Meters. Examination requirements to be revised as discussed in III.D above.
3.13	3.12	3.13, Resetting CMRS Meters, would be renamed and renumbered as 3.12, Resetting CMRS Meters. Requirements changed, reference IV above.
-	3.13	New 3.13, CMRS Refunds, would outline CMRS refund procedures as discussed in IV above.
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	Would state that manufacturer requirements relating to the manufacture and distribution of meters are published in 39 CFR 501.
6.1	-	Section would be eliminated and requirements moved to 39 CFR 501.1 and 501.2.
6.2	-	Section would be eliminated and requirements moved to 39 CFR 501.3.
6.3	-	Section would be eliminated and requirements moved to 39 CFR 501.5.
6.4	-	Section would be eliminated and requirements moved to 39 CFR 501.5.
6.5	6.0	Section would be eliminated and requirements moved to 6.0.

<b>DMMT</b>	<b>39 CFR Part 501</b>	<b>Changes and Notations</b>
144.9	501	None.
144.91, 144.912	501.1	Would be moved and combined with DMM P030.6.0.
144.911	501.2	Editorial changes.
144.915	501.3	Would be moved and combined with DMM P030.6.0.
-	501.4	New 39 CFR 501.4, Burden of proof standard, would clarify burden of proof standard.
144.913, 144.914	501.5	Parts of DMMT 144.913 and 144.914 would be moved, clarified, and expanded as discussed in II.E above.
144.92	501.6	Would be moved from DMMT 144.92.
144.931	501.7	Editorial changes.
144.932	501.8	Would be moved from DMMT 144.92.
144.935	501.9	Parts of DMMT 144.935, Approval, would be moved, redrafted, and renamed as 39 CFR 501.9, Security testing.
144.933, 144.935	501.10	DMMT 144.933 and parts of DMMT 144.935, Approval, would be moved, redrafted, and renamed as 39 CFR 501.10, Meter approval.
144.936, 144.937	501.11	Would be moved from DMMT 144.936 and expanded as discussed in III.E above.
144.913, 144.914	501.12	Parts of DMMT 144.913 and 144.914 would be moved and expanded as discussed in II.E above.
-	501.13	New 39 CFR 501.13, Reporting, would specify manufacturer reporting requirements as discussed in I.A above.
-	501.14	New 39 CFR 501.14, Administrative sanction on reporting, would specify sanctions for noncompliance with manufacturer reporting requirements as discussed in I.A above.
144.941	501.15	Would be moved from DMMT 144.941.
144.934, 144.942	501.16	DMMT 144.934 and 144.942 would be combined, renamed, and renumbered.
144.943	501.17	Would be moved from DMMT 144.943.
144.944	501.18	Would be moved from DMMT 144.944.
144.945	501.19	Would be moved from DMMT 144.945.
144.946	501.20	DMMT 144.946 would be moved, renumbered, and expanded as discussed in I.F above.
144.951	501.21	Would be 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	DMMT 144.952 would be moved, renumbered, and expanded as discussed in I.C, I.D, I.E, I.G, II.F, III.B, and III.D above.
-	501.23	New 39 CFR 501.23, Administrative sanction, would specify manufacturer sanctions for failure to comply with meter standards as discussed in II.D above.
144.96	501.24	Would be moved from DMMT 144.96.
144.962	501.25	DMMT 144.962 would be moved, renumbered, and expanded as discussed in I.B above.
144.952f, 144.963	501.26	DMMT 144.963 would be moved, renumbered, and expanded as discussed in I.D above.
144.964	501.27	Would be moved from DMMT 144.964.

144.97, 144.971, 144.972, 144.973, 144.974, 144.975, 144.976, 144.977	501.28	DMMT 144.97, 144.971, 144.973, 144.974, 144.975, 144.976, and 144.977 would be moved, combined, renumbered, and expanded as discussed in IV above.
144.98	501.29	Would be moved from DMMT 144.98.

**List of Subjects in 39 CFR Part 111**

Administrative practice and procedure, Postal Service.

Accordingly, although exempt from the notice and comment requirements of the Administrative Procedure Act (5 U.S.C. 553(b), (c)) regarding proposed rulemaking by 39 U.S.C. 410(a), the Postal Service invites public comment on the following proposed amendments to the Domestic Mail Manual (DMM), incorporated by reference in the Code of Federal Regulations. See 39 CFR 111.

**PART 111—[AMENDED]**

1. The authority citation for 39 CFR part 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 DMM as noted below:

**P030 Postage Meters and Meter Stamps****1.0 BASIC INFORMATION****1.1 Description of Meters**

Postage meters print one or more denominations of postage. Their mechanisms print postage and display the amount of postage used and remaining. The meter locks when no postage or minimal postage remains, and it generally must be brought 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, when necessary, 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 postage

meter license and a rental agreement with the meter manufacturer and until the USPS sets, seals (if applicable), and checks it into service. Other parties in possession of a postage meter must immediately surrender it to the manufacturer or USPS.

\* \* \* \* \*

**1.8 Meter Documentation, Markings, and Endorsements**

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

**1.9 Appeals**

Applicants who have been refused a meter license, or licensees who have had a license revoked, may file a written appeal with the manager of Mailing Systems Development within 10 calendar days of receipt of the decision. Licensees who are appealing decisions on postage adjustments may file their appeals with the same official, and must do so within 60 days of the date that the postage recommendation was submitted to the USPS by the manufacturer.

**2.0 METER LICENSE****2.1 Procedures**

An applicant wanting to be licensed to lease and use a postage meter must provide an original signed Form 3601–A to the post office where the applicant intends to deposit metered mail, or a meter manufacturer may, on behalf of the applicant, electronically transmit the information requested on the Form 3601–A to the designated USPS license application central processing center in a USPS-specified format. A single license covers all meters licensed to the same party 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. In those instances where a meter manufacturer transmitted the application on behalf of the applicant, the manufacturer is notified by the USPS 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 if the meter is used in any fraudulent or unlawful scheme or enterprise, if the meter is not used during any 12 consecutive months, if the licensee fails to exercise sufficient control of the meter or fails to comply with the standards for meter care or use, or if a meter is taken outside the United States, or its territories, or its possessions (without specific written permission by the manager of Mailing Systems Development, USPS Headquarters).

**2.3 Refusing to Issue a Meter License**

The USPS may refuse to issue a meter license if the applicant submitted false or fictitious information on the license application; if, 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 if 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 postage meters is refused, the USPS notifies the licensee of the reason in writing. If the license application was electronically transmitted to the USPS by a manufacturer on behalf of the applicant, the applicable manufacturer is notified of the refusal by the USPS. An applicant who is refused a meter license may appeal the decision according to the procedures in 1.9.

**2.4 Licensee Responsibilities**

The meter licensee's responsibilities include:

a. After delivery to a licensee, a meter must be kept 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 must 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). These records must be available for inspection to the USPS on request. The licensee must bring Form 3602–A to the post office when the meter is reset or examined.

c. Meters in the licensee's custody and records on meter transactions must

be immediately available for review and audit on request by the USPS or the meter manufacturer.

d. Meters not reset within a 3-month period must be presented with Form 3602-A for examination at the licensing post office. 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 on a timely basis following notification may result in revocation of the licensee's authorization to lease and use postage meters.

e. A licensee must immediately notify the licensing post office and manufacturer's representative of any changes in the licensee's name, address, or telephone number, or the location of the meter(s), or any other information contained on the original Form 3601-A. The USPS thereafter issues a modified meter license reflecting the updated information. Licensees must verify and update their license information on a periodic basis as well as following any event that would indicate the need to update this information immediately (e.g., billings returned to a meter manufacturer or failure of the manufacturer to locate the meter for inspection).

f. The licensee must report a misregistering or otherwise defective meter to the manufacturer according to 2.9 and must ensure that the meter is not used.

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

### 2.5 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 a receipt for the meter to the licensee and forwards a copy to the manufacturer and may assist in obtaining a replacement meter from the meter manufacturer. Advance notice to the manufacturer that a meter is to be inspected may be provided by the Inspection Service where possible. Except where 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.

### 2.6 Defective Meters

The manufacturer must pick up a defective meter and present it to the licensing post office to be checked out of service within 3 business days of being notified by the licensee under 2.9. A faulty meter must not be used under any circumstances, and it must be removed from service when presented to the licensing post office. The manufacturer will provide a replacement meter.

### 2.7 Revocation of License

The USPS notifies the licensee in writing if the meter license is to be revoked, providing the reasons. In addition, the USPS 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 is effective 10 days thereafter unless, within that time, the licensee appeals the decision according to the procedures in 1.9. 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 meters are not used for 12 consecutive months.

c. Any failure to exercise sufficient control of a meter or failure to comply with the standards for its care or use.

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. Mail is deposited at other than the licensing post office (except as permitted by 5.0 or D072).

### 2.8 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 the police report, when applicable.

### 2.9 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. Licensees with a faulty misregistering meter, or licensees no longer wanting to retain a meter, must notify the meter manufacturer's representative of any meters that are to be returned to the licensing post office

to be checked out of service. Meters must be shipped by registered mail unless specific written permission is given to ship meters otherwise by the manager of MSD, USPS Headquarters.

## 3.0 SETTING METERS

### 3.1 Initial Setting

Before delivery to the licensee, the manufacturer must take a 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 meter 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 as provided under 3.4 or 3.5, meter settings must be performed at the licensing post office. Meters may not be set at contract stations and branches.

Remote-set postage meters are subject to 3.10 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:

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

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

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

d. 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. It 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.

e. 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 postage meters at a licensee's place of business within the area served by the licensing post office. Only meters of licensees participating in the program are 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 offices, unless a USPS employee (qualified to set postage meters) is regularly assigned to that licensee's location for postal administrative duties. Licensees must pay on-site setting or examination fees and postage by check or advance deposit account at the time of the setting or examination. For fees, see R900.

### 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 Transferring and Refunding Postage

Upon verification by the USPS, 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 and the Form 3602-A or system-generated register documentation 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.

### 3.8 Postage Adjustments, Misregistering Meters

To request a postage adjustment for a faulty misregistering meter, the licensee must present the meter and the licensee's Form 3602-A to the manufacturer. After examining a meter checked out of service 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 (including a copy of the licensee's Form 3602-A 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 must submit some other reliable evidence showing that a postage adjustment is warranted. A licensee may appeal a postage adjustment according to the procedures in 1.9.

### 3.9 Computerized Meter Resetting System

The Computerized Meter Resetting System (CMRS) allows certain postage 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 delivery to the licensee, the manufacturer must bring the meter and a completed Form 3601-C to the licensing post office to have it 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 either be reset or examined every 3 months. CMRS meters set at least once every 3 months need be presented only annually for examination by a USPS employee. The licensee must bring a CMRS meter and applicable Form 3602-A to the licensing post office when notified by the manufacturer that an examination is required. Licensees who do not comply with examination requirements may not reset their 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 steps must be taken to reset 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.

b. The licensee may deposit funds by check, electronic funds, or automated clearinghouse transfer.

c. The licensee must provide the manufacturer or designated meter resetting company (MRC) with the meter serial number, licensee's account number, and the meter's ascending and descending registers.

d. 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 directly 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).

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## 6.0 METER MANUFACTURE AND DISTRIBUTION

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

### List of Subjects in 39 CFR Part 501

Administrative practice and procedure, Postal Service.

Accordingly, although exempt from the notice and comment requirements of the Administrative Procedure Act (5 U.S.C. 553(b), (c)) regarding proposed rulemaking by 39 U.S.C. 410(a), the Postal Service invites public comment

on the following proposed amendments to the Code of Federal Regulations.

3. For the reasons set out in this document, the Postal Service proposes to add 39 CFR 501 as follows:

#### **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.
- 501.29 Notice of proposed changes in regulations.

**Authority:** 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 410, 2610, 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 postage 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. [Currently, that area is Mailing Systems Development, USPS Headquarters.]

##### **§ 501.2 Manufacturer qualification.**

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

(a) Satisfy the Postal Service of its integrity and financial responsibility;

(b) Obtain approval of at least one postage 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 postage 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 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 concerning 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 will 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 the manufacturer's performance history. Prior to determining whether a manufacturer's authorization to manufacture and/or distribute postage meters should be revoked, the

procedures in paragraph (c) of this section will 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 will 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 will 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 will 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 will remain in effect for up to 90 days unless withdrawn by the Postal Service.

(4) At the end of the 90-day suspension period, 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.

(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 time frame 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 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.

#### § 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 bring the meter to the post office for setting or examination.

(b) A postage 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 postage 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, preventing further operation of the meter after the register has reduced to an amount less than the largest denomination printable in one operation or to zero. In electronic meters, the locking device must prevent printing if the amount that would be printed would reduce the descending register to less than zero. The descending register must be so constructed as to be easily set at the post office for 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, or by imprint on tape or card, or by a combination of the two methods. The housing must be of such construction that it is impossible to alter the readings of the ascending register except by normal operation or 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 slogan or meter ad must be such that it does 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 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, USPS-M-942 (RCD). Persons wanting to manufacture electronic postage meters may obtain a copy of this Postal Service test specification from USPS Headquarters.

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

**§ 501.9 Security testing.**

The Postal Service reserves the right at any time to require or conduct additional examination and testing, 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 changes 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 prior to distribution. The contents of this media must include an explanation of how the meter is reset and an explanation of 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 Mailing Systems Development,

USPS Headquarters, with any additional documentation on request.

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

**§ 501.12 Suspension and revocation of approval.**

(a) The Postal Service may suspend 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 revenues. Suspension of approval to manufacture or distribute a meter or class of meters in whole or in part will be based on the potential risk to postal revenues. Prior to 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 revenues, the Postal Service will issue a written notice of proposed suspension citing deficiencies for which suspension may be imposed under paragraph (b)(2) of this section. The manufacturer will 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 will 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 will remain in effect for up to 90 days unless withdrawn by the Postal Service.

(4) At the end of the 90-day suspension period, 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.

(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 time frame 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 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 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.

**§ 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 postage 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 of the effective date of this regulation) of the following:

(1) All findings or results of any testing known to the manufacturer concerning the security or revenue protection-related 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); and

(2) All potential security weaknesses or methods of meter tampering of the meters the manufacturer distributes of which the manufacturer knows or should know, and the meter(s) or model(s) 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 CMRS information systems, 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 prior to the effective date of this section, 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(s) 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 will take 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.

#### **§ 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 they 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 will maintain control over the procurement, manufacture, and distribution of meter security seals. Manufacturers must reimburse the Postal Service promptly for the costs of the seals. All costs associated with meter security seals will be 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 concerning 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 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 requirements of the Postal Service for suitable quality and content.

(e) Have all meters set, sealed (if applicable), and checked into service by the appropriate Postal Service representative prior to 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. 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. A postage meter should show a zero in the descending register before being checked into service. If it does not, the initial payment must include the residual amount the locked-out meter could not imprint.

(f) Notify CMRS 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 brought 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 no response is 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.

(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; 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, and applicable system-generated register documentation (if the PS Form 3602-A is not maintained); 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 the loss or theft of any meter or the recovery of any lost or stolen meter promptly. The manufacturer must complete a standardized lost and stolen meter incident report notifying the Postal

Service of lost, stolen, or recovered meters 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 prior to submission of a Lost and Stolen Meter Incident Report to the Postal Service.

(j) Provide the designated 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 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 officials of the Postal Service at any time during business hours. These records may 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 is essential, preferably in the form of signed receipt cards. The record must include the date, location, and details of any losses, thefts, or recoveries 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 the designated ISSC with a compatible computer tape of lost or stolen meters, monthly. 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 their reaching the hands of unauthorized individuals.

Manufacturers must ship all postage meters by Postal Service registered mail unless given specific written permission to use another carrier by the Postal Service. The manufacturer must demonstrate that the alternative delivery carrier employs security procedures equivalent to those for registered mail.

(r) Affix to all postage meters 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 meter label must be placed on all meters in a conspicuous and highly visible location. Words printed in capital letters should be highlighted, preferably 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 METER—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 the following 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 will be determined on a case-by-case basis. Any deviations 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 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, fails to follow standardized lost and stolen meter incident reporting in § 501.26, or fails to conduct any of the inspections required by § 501.25 in a timely fashion may be 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/loss occurred, as determined by the Postal Service. Sanctions will 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 the action will take effect if a written defense is not presented within 30 calendar days of receipt of the notice.

(d) The manufacturer may present a written defense to the proposed action within 30 calendar days of receipt of the notice to the Postal Service. 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 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 receipt of the decision, addressed to the manager of Customer Service Support, USPS 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.

**§ 501.24 Meter replacement.**

The manufacturer must keep its 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:

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.

(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 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 comparing the register readings after printing 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 none 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 postage 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 irregularities in the operation of the

meter or signs 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 meters in service cannot be located, the manufacturer must undertake reasonable efforts to locate the meter or meters by following a series of Postal Service-specified actions designed to locate the postage meter. If these efforts are unsuccessful and the meter is determined to be lost or stolen, the manufacturer must notify the Postal Service within 30 days through submission of 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 to the licensee at the last known address with the notation "Forwarding and Address Correction Requested" with a return receipt 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 actions listed below:

(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.

(3) 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.

(c) 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 removing located meters from the lost and stolen meter reports provided on a periodic basis to the Postal Service ISSC.

(d) Any authorized manufacturer that fails to comply with standardized lost and stolen reporting procedures and instructions may be 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 any internal repairs are undertaken.

#### § 501.28 Computerized remote postage meter resetting.

(a) Description. The Computerized 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. Prior to proceeding with the setting transaction, the MRC must verify the data and ascertain from its own files whether the licensee has sufficient funds available 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)(4) of this section, the MRC may complete the setting transaction.

(b) Deposits with the Postal Service.

(1) A CMRS licensee is required to have funds available on deposit with the Postal Service prior to 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.

(2) The MRC is required to incorporate the following language into its postage 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.

(3) 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 all available balances to the Postal Service daily.

(4) If the MRC chooses to offer advancement of funds to licensees, it 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 circumstances. The Postal Service shall not be liable for any payments made by the MRC on behalf of a licensee that are 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 deficiencies that are likely to result in the loss of funds to the Postal Service as provided in § 501.12.

(d) Equipment. The postage 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) Prior to 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(s) will process the CMRS deposits daily, consolidate the data, and perform a direct file transmission to each of the MRCs. The daily deposit processing cutoff times and the automated file transmission times will be coordinated independently with each of the MRCs. Manufacturers must ensure that their data center computer is programmed to reflect each licensee deposit and tracks all licensee activity.

(3) The MRC must require each licensee requesting that its meter be reset 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 enough 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(s) are to transfer, by 10 a.m. local lockbox bank 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 transfer (wire transfer).

(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 pre-encoded deposit ticket. The Postal Service will provide the MRCs with the deposit ticket format. The MRC must ensure that the deposit tickets are distributed to licensees for inclusion with check payments. At the time a new account is opened, a licensee not possessing a pre-encoded 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 automated clearinghouse 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, will advise 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 will provide collection services for returned checks on behalf of the Postal Service. The Postal Service lockbox bank will notify the MRC once this item is paid. The MRC will then release the account for activity.

(f) Refunds. The Postal Service will issue 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	Contents	Frequency	Media
MRC CMRS Daily Activity Report .....	Summary of Business Activity .....	Daily .....	Paper (fac-simile)
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 handling 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.

**§ 501.29 Notice of proposed changes in regulations.**

Before changing the regulations in part 501, the Postal Service must give an advance notice of any proposed changes to enable persons who manufacture, or are interested in manufacturing, postage meters a chance to be heard and to adjust their operations to accord with the proposed changes if they are adopted.

Appropriate amendments to 39 CFR parts 111 and 501 to reflect these changes will be published if the proposal is adopted.

**Stanley F. Mires,**  
*Chief Counsel, Legislative.*

**Note:** The following draft report and PS Forms are published for informational purposes 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 9-digit ZIP Code): \_\_\_\_\_
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: \_\_\_\_\_

**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. Name (*typed*) and signature of person completing the report:  
\_\_\_\_\_  
\_\_\_\_\_

23. Name (*typed*) 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.**

**Exhibit A****Missing Meters Required Actions  
(39 CFR 501.26)****If a 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 see 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 to licensee at last known address, with notation "Forwarding and Address Correction Requested" with a return receipt requested.

**If a meter is reported lost or stolen by licensee, 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 Is 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.

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). In addition, a civil penalty of up to \$5,000 and an additional assessment of twice the amount falsely claimed may be imposed (31 U.S.C. 3802).

**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:** \_\_\_\_\_

**A. Licensee Information**

Meter License Number: \_\_\_\_\_

Licensee Business/Individual Name: \_\_\_\_\_

**B. Meter Location**

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP+4: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone: \_\_\_\_\_

**Meter Indicia Option Requested:**

1. City: \_\_\_\_\_ State: \_\_\_\_\_
2. Name of Classified Branch: \_\_\_\_\_ State: \_\_\_\_\_
3. ZIP Code Designation: \_\_\_\_\_
4. Military APO/FPO: \_\_\_\_\_

**C. Meter Information**

<b>Withdrawn Meter</b>	<b>Installed Meter</b>
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: _____

3.3	3.3	Editorial changes.
3.4	3.4	Would be renamed from Alternate Locations to Alternative Meter Setting Location. Editorial changes.
3.5	3.6	Would be renumbered.
3.6	-	3.6, Manufacturer Withdrawal, would be moved to 39 CFR 501.22(g) and 501.22(i).
3.7	3.5	Renumbered.
3.8	3.7	Renumbered.
-	3.8	New 3.8, Postage Adjustments, Misregistering Meters. Requirements would be expanded to include new procedures for processing refunds for defective meters.
3.9	3.8	3.9, Manufacturer's Statement, would be incorporated into 3.8, Postage Adjustments, Misregistering Meters.
3.10	3.9	3.10, CMRS, would be renamed and renumbered as 3.9, Computerized Meter Resetting System. Requirement added for use of PS Form 3601-C, Meter Installation, Withdrawal, or Replacement.
3.11	3.10	3.11, Postage Transfer, would be renamed and renumbered as 3.10, Postage Transfer for CMRS. Editorial changes.
3.12	3.11	3.12, Periodic Examination, would be renamed and renumbered as 3.11, Periodic Examination of CMRS Meters. Examination requirements to be revised as discussed in III.D above.
3.13	3.12	3.13, Resetting CMRS Meters, would be renamed and renumbered as 3.12, Resetting CMRS Meters. Requirements changed, reference IV above.
-	3.13	New 3.13, CMRS Refunds, would outline CMRS refund procedures as discussed in IV above.
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	Would state that manufacturer requirements relating to the manufacture and distribution of meters are published in 39 CFR 501.
6.1	-	Section would be eliminated and requirements moved to 39 CFR 501.1 and 501.2.
6.2	-	Section would be eliminated and requirements moved to 39 CFR 501.3.
6.3	-	Section would be eliminated and requirements moved to 39 CFR 501.5.
6.4	-	Section would be eliminated and requirements moved to 39 CFR 501.5.
6.5	6.0	Section would be eliminated and requirements moved to 6.0.