§ 501.12 Suspension and revocation of approval.

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

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

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

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

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Postal Service deems that the suspension is warranted, the suspension shall remain in effect for up to 90 days unless withdrawn by the Postal Service, as provided in paragraph (b)(4)(iii) of this section.

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

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

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

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 Manufacturer suspensions may be withdrawn before the end of the 90-day period if the Postal Service determines that the manufacturer's solution and implementation are satisfactory.

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

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

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

§501.13 Reporting.

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

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

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

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

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

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

§ 501.14 Administrative sanction on reporting.

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

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

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

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