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 onsite 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