

#### § 501.14

#### 39 CFR Ch. I (7–1–03 Edition)

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

##### **§ 501.14 Administrative sanction on reporting.**

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

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

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

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

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

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

##### **§ 501.15 Materials and workmanship.**

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

##### **§ 501.16 Breakdown and endurance testing.**

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

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

(b) For multidenomination 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