

PART 4—SCHEDULE FOR RATING DISABILITIES**Subpart B—Disability Ratings**

1. The authority citation for part 4 continues to read as follows:

Authority: 38 U.S.C. 1155.

2. Section 4.104 is amended by revising diagnostic code 7122 and adding a new authority citation at the end of the section, to read as follows:

§ 4.104 Schedule of ratings—cardiovascular system.

* * * * *

	Rat- ing
7122 Cold injury, residuals of:	
With pain, numbness, cold sensitivity, or arthralgia plus two or more of the following: Tissue loss, nail abnormalities, color changes, locally impaired sensation, hyperhidrosis, X-ray abnormalities (osteoporosis, sub-articular punched out lesions, or osteoarthritis) of affected parts ..	30
With pain, numbness, cold sensitivity, or arthralgia plus tissue loss, nail abnormalities, color changes, locally impaired sensation, hyperhidrosis, or X-ray abnormalities (osteoporosis, sub-articular punched out lesions, or osteoarthritis) of affected parts ..	20
With pain, numbness, cold sensitivity, or arthralgia	10

Note (1): Amputations of fingers or toes, and complications such as squamous cell carcinoma at the site of a cold injury scar or peripheral neuropathy should be separately evaluated under other diagnostic codes.

Note (2): Evaluate each affected part (hand, foot, ear, nose) separately and combine the ratings, if appropriate, in accordance with 38 CFR 4.25.

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(Authority: 38 U.S.C. 1155)

[FR Doc. 97-7833 Filed 3-27-97; 8:45 am]

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POSTAL SERVICE**39 CFR Parts 111 and 502****Manufacture, Distribution, and Use of Postal Security Devices and Information Based Indicia**

AGENCY: Postal Service.

ACTION: Proposed rule.

SUMMARY: This proposal would add new sections to the Domestic Mail Manual (DMM) and title 39, Code of Federal Regulations (CFR), to reflect policies and regulations pertaining to the

Information Based Indicia Program (IBIP). The proposal supports the IBIP technical specifications published on July 2, 1996, in the **Federal Register** (61 FR 34460). The standards and regulations for the products/devices are in some ways similar to those for postage meters but are to be contained in separate parts of the DMM and the CFR. The DMM pertains to customer requirements and product/service provider support of those customers, whereas the CFR contains requirements such as authorization to manufacture and distribute, product testing and approval, security standards, and financial arrangements.

DATES: Comments must be received on or before April 28, 1997.

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

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

SUPPLEMENTARY INFORMATION: The Information Based Indicia Program (IBIP) involves the development of new technology to produce forms of postage evidencing through the use of two-dimensional barcodes and cryptographic services to produce postage from personal computers. This technology will support Postal Service efforts to reduce fraud and the potential for misuse associated with current mechanical postage meters. In addition, IBIP provides a convenient access to postage and an opportunity for customer defined "value added" services.

There are five primary elements to IBIP. The indicia includes:

- Town circle information.
- Postage amount applied.
- Device identifier.
- 2 dimensional bar code.
- Optional advertising art.

The postal security device (PSD) performs core security functions such as digital signature generation and verification and the management of registers. The host system controls the customers infrastructure in device authorization, device audit, postage resetting and, together with the PSD, produces the indicia.

The key management component employs a public-key certificate based digital signature that features a data integrity service and provides the means to validate the indicium. Finally, the product/service provider infrastructure provides support for all IBIP functions

including licensing, PSD production and life cycle support, and provides an interface with both the customer and the Postal Service infrastructure. The Postal Service interface involves the issuance of licenses, updating licensee information, product/device inventory and tracking, resetting support and account reconciliation, lost and stolen/irregularity monitoring, and the assignment of digital certificates.

In this proposal, the Postal Service has taken into consideration and evaluated applicable comments received as a result of the July 2 **Federal Register** notice, the July 19 public meeting on technical specifications, and the September 25 public meeting on policy and regulations. The following is a summary of the Postal Service's position on the general interest IBIP policy issues:

- Any proposed product or device must be submitted for approval under proposed draft IBIP interim product submission procedures (Jan 8, 1997 **Federal Register**). These procedures include specifics on letters of intent, nondisclosure agreements, the product/service provider's concept of operations and infrastructure, documentation requirements, product submissions, and most testing activities.

- In an attempt to use the existing Postal Service infrastructure as much as possible, customer licensing and product/device tracking will be included in the Centralized Meter Licensing System currently under development. A license must be obtained prior to the initialization or use of a device. A customer already licensed to use postage meters will not have to apply again for an additional license. The Postal Service will simply update the customer's file.

- The terms "manufacturer" and "vendor" are no longer referenced in IBIP. These have been replaced by the more appropriate term "product/service provider", also known simply as "Provider."

- The PSD must be leased by the product/service provider but customers may purchase the software under two circumstances. The first is in an open system where the PSD operates independently of the software. The second is in a closed system where the meter is rendered nonfunctional for printing postage without the PSD. The Postal Service will not offer PSDs to customers.

- Until the Postal Service has captured historical data on reliability and security, the total amount of postage in a descending register will be limited to \$500. Ascending registers must show all postage printed over time.

- Authorized product/service providers must keep records of the distribution, control, and maintenance of all products/devices throughout the complete lifecycle of the product. This includes tracking of newly manufactured PSDs, active leased PSDs and inactive unleased PSDs. Tracking of a PSD must begin as soon as the PSD is initialized with the key.

- Indicia produced from the IBIP Open and Closed Systems may be used to indicate postage for First-Class, Express and Standard Mail classes. Indicia produced from the IBIP Closed System also may be used on International Mail. Mail bearing the indicia is entitled to all privileges and subject to all conditions applying to the various classes of mail.

- Product/service providers are responsible for audit functions. The Postal Service will not take over this function but may at times participate in the audit process. PSDs must be audited at least once every 3 months in conjunction with remote settings and resetting of the watch-dog timer.

- Product/service providers must perform an analysis of each submitted customer mailpiece as part of the Provider's Mailpiece Quality Assurance program to ensure the quality and readability of the indicia. The provider must notify the customer and the Postal Service of any deficiencies.

- All postage downloads or settings will be made under the provisions of the Computerized Remote Meter Resetting System (CMRS). The Postal Service will conduct periodic audits of a product/service provider's resetting system to ensure that the system is operating correctly and that postal revenues are protected.

- Physical inspections of PSDs will be made at the time of submission for approval and if there is suspicion of a security problem.

- The Postal Service will provide refunds for any balance remaining on a PSD. The licensee will be required to submit a written refund request to the Provider, along with the affected PSD and supporting documentation such as an electronic daily activity report.

- All approved systems must have the capability to update postage rates efficiently when such changes are announced.

- There are provisions in the IBIP regulations for the correction of postage and dates. These are similar to those used for metered postage. For date correction, the facing identification mark (FIM) and barcode will be suppressed; for postage correction, the FIM will be suppressed.

- Cautionary labels such as those affixed to postage meters will not be affixed to PSDs. However, providers should make their customers aware of this information through their supplied software.

List of Subjects in 39 CFR Part 111

Administrative practice and procedure, Postal Service.

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 comments on the following proposed amendments to the Domestic Mail Manual, incorporated by reference in the Code of Federal Regulations. See 39 CFR part 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. Add the following sections to the Domestic Mail Manual as set forth below:

P050 Information Based Indicia

1.0 BASIC INFORMATION

1.1 Description of Product/Device

The Product/Device prints an authorized USPS Information Based Indicia that shows evidence of postage. The indicia consists of a USPS-approved two-dimensional barcode and certain human-readable information such as city and state, 5-digit ZIP Code of licensing post office, Device ID number, date, and amount of postage. The Product/Device includes as a primary component a postal security device (PSD) that provides critical functionality for accounting postage with a computer-based (open system) or postage meter-based (closed system) host system. The PSD and host system interact to generate the indicia. The Product/Device is remotely set and requires the customer to have funds on deposit with the USPS before initial setting or resetting.

1.2 Product/Service Device Providers

The Product/Device is available only through a lease agreement from a USPS authorized Product/Service Provider (hereafter referred to as Provider). The open host system is envisioned to operate on personal computers. The licensee can purchase the software if the PSD component operates independently of the software. For a closed system, the

customer can purchase the software if it is rendered nonfunctional for printing postage without the PSD. The USPS holds Providers responsible for the life cycle, control, operation, maintenance, and replacement of their Products/Devices.

1.3 Possession

A customer must have a USPS-issued Product/Device Postage Meter License (Form 3601–B) to use the PSD component.

1.4 Classes of Mail

Indicia produced from the IBIP Open and Closed System may be used to indicate postage for First-Class, Express and Standard Mail classes. Additionally, indicia produced from the IBIP Closed System may be used for International mail. Mail bearing the indicia is entitled to all privileges and subject to all conditions applying to the various classes of mail.

1.5 Amount of Postage

The value of the Product/Device indicia affixed to each mailpiece must be the exact amount due for the piece when mailed.

1.6 Additional Postage

An indicia showing additional postage may be placed on a shortpaid mailpiece under 4.9, Postage Correction.

2.0 LICENSE

2.1 Procedures

The application and the license are processed through the Centralized Meter Licensing System (CMLS). An applicant wanting to lease and use a Product/Device must provide all applicable data on the Form 3601–A, *Application for a License to Lease and Use Postage Meters*, to the Provider. The application must state the post office where the applicant intends to deposit mail produced using their Product/Device. The Provider electronically transmits the information requested on Form 3601–A to CMLS in the USPS-specified format. When a Provider transmits the application on behalf of the applicant, the USPS notifies the Provider when a license is issued. A single license covers all Products/Devices to the same applicant by the same post office, but a separate application must be submitted for each post office where the applicant wants to deposit Product/Device mail. There is no fee for the application and license. After approving an application, the USPS issues a Postage Meter License (Form 3601–B). Subsequently, for each Product/Device checked into service, a Form 3602–A, *Record of Register Readings*, or equivalent will be

provided. The licensee must maintain daily register readings by using a system-generated daily activity report or by completing Form 3602-A to support refund requests. A customer will not have to apply for a license to use a Product/Device if the customer already possesses a valid postage meter license.

2.2 Refusal to Issue Product/Device License

The USPS may refuse to issue a Product/Device license for the following reasons: The applicant submitted false or fictitious information on the license application; the applicant violated any standard for the care or use of a Product/Device or postage meter that resulted in the revocation of that applicant's Product/Device license within 5 years preceding submission of the application; or there is sufficient reason to believe that the Product/Device is to be used in violation of the applicable standards. The USPS sends the licensee written notice when an application for a license to lease and use a Product/Device is refused. The USPS notifies the Provider if the license is refused. Any applicant refused a license may appeal the decision under 2.4.

2.3 Revocation of License

The USPS sends written notice to the licensee and the licensee's Provider of any revocation. Revocation takes effect 10 days after receipt unless, within that time, the licensee appeals the decision under 2.4. A license is subject to revocation for any of the following reasons:

- a. A Product/Device is used for any illegal scheme or enterprise or there is probable cause to believe that the Product/Device is to be used in violation of the applicable standards.
- b. The Product/Device is not reset or audited within a 3-month period.
- c. Sufficient control of a Product/Device is not exercised or the standards for its care or use are not followed.
- d. The Product/Device is kept or used outside the boundaries of the United States or those U.S. territories and possessions without USPS approval.
- e. Product/Device mail is deposited at other than the licensing post office (except as permitted by 5.0 or D072).
- f. Failure to forward mailpieces to the Provider for quality assurance as required by 2.5h.

2.4 Appeals

An applicant who is refused a license, or a licensee whose license is revoked, may file a written appeal with the manager of Retail Systems and Equipment (RSE), USPS Headquarters (see G043 for address) within 10

calendar days of receipt of the decision. A licensee appealing decisions on postage adjustments may file the appeal, with the same official, within 60 days of the date that the Provider submitted the postage adjustment recommendation to the USPS.

2.5 Licensee Responsibilities

The licensee's responsibilities for the care and use of a Product/Device (PSD) include the following:

- a. After a PSD is delivered to a licensee, it must remain in the licensee's custody until it is returned to the authorized Provider.
- b. Each day of operation, the licensee must record the readings of the ascending and descending registers on Form 3602-A. A licensee using a Product/Device system that records these readings electronically may use the system-generated report as a substitute for Form 3602-A.
- c. The licensee must, upon request, make the Product/Device in the licensee's custody and corresponding records on transactions immediately available for review and audit to the Provider or the USPS.
- d. The licensee must remote-set Products/Devices at least once every 3 months for examination.
- e. The licensee must immediately notify the Provider of any change in the licensee's name, address, telephone number, the location of the Products/Devices, or any other information on the Form 3601-A.
- f. The USPS issues a revised Product/Device license based on the transmission of updated information from the Provider. The licensee must verify and update license information on a periodic basis. If a licensee changes the post office where Product/Device mail is to be deposited, the Product/Device must be checked out of service by the authorized Provider. The customer must be relicensed at the new post office before the Provider can issue and reset a replacement device.
- g. The licensee must report a misregistering or otherwise defective Product/Device to the Provider under 2.7 and must ensure that the defective Product/Device is not used.
- h. The licensee must maintain address quality by updating the USPS CD-ROM disk at least once every 3 months.
- i. The licensee must forward a mailpiece produced by the host system to the Provider at least once every 3 months after initialization for quality assurance.
- j. The customer must enter into a signed lease agreement with the Provider that includes a financial

agreement for resetting the device with postage.

2.6 Custody of Suspect Product/Device (PSD)

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

2.7 Defective product/Device (PSD)

The licensee must immediately report any defective Product/Device to the Provider. The Provider must retrieve any defective Product/Device within 3 business days of notification by the licensee and notify the USPS. A faulty Product/Device may not be used under any circumstance and must be returned to the Provider. The Provider provides the licensee with a replacement Product/Device.

2.8 Missing Product/Device (PSD)

The licensee must immediately report to the Provider and licensing post office the loss or theft of any Product/Device or the recovery of any missing Product/Device. Reports must include the PSD identification number and serial number; the date, location, and details of the loss, theft, or recovery; and a copy of any police report.

2.9 Returning Product/Device (PSD)

After a PSD is delivered to a licensee, the PSD must be kept in the licensee's custody until returned to the authorized Provider. A licensee with a faulty or misregistering PSD or who no longer wants to keep a PSD must return the PSD to the Provider to be checked out of service. PSDs must be shipped by Priority Mail Returned Receipt for Merchandise unless the Manager, RSE, USPS Headquarters, gives written permission to ship at another rate or special service.

3.0 SETTING PRODUCTS/DEVICES (PSD)

3.1 Initial Setting

Before the licensee is issued a PSD, the PSD must be initialized and authorized by the Provider. The customer must enter into a lease agreement with the Provider that includes a financial agreement for resetting the device with postage. Settings are made according to the provisions of USPS Computerized Remote Postage Meter Resetting System (CMRS).

3.2 Payment for Postage

Payment must be made for postage before the Product/Device is set. The customer is permitted to make payment in one of six ways: cash, debit card, credit card, wire transfer and (ACH) automated clearinghouse debit or credit. Acceptance by a provider of all payment forms, with the exception of debit and credit card, is mandatory. If a provider elects to offer debit and credit cards as a payment option, the USPS selected merchant card processor must be used as the processor. All merchant card processor discount fees must be borne by the provider.

3.3 Postage Transfers and Refunds

Postage losses due to malfunctions are the responsibility of the Provider. The USPS provides refunds for any balance remaining on the PSD. The licensee must submit a written refund request with the affected PSD to the Provider along with supporting documentation such as a daily activity report. The USPS also provides refunds to a licensee for any balance remaining in a CMRS account.

3.4 Periodic Examinations

A Products/Device must be reset at least once every 3 months. An update of the watchdog timer along with a device audit satisfies this requirement. The USPS reserves the right to examine the Product/Device by remote access or otherwise.

3.5 Resetting

The following conditions must be met to reset a Product/Device:

a. The licensee's account must have sufficient funds to cover the desired postage increment, or the Provider must agree to advance funds to the USPS on behalf of the licensee. The USPS encourages the Providers to recommend the use of the following payment forms by order of preference:

1. ACH Debit
2. ACH Credit
3. Wire Transfer

4. Debit Card Optional
5. Check Card Optional
6. Check

b. As part of the resetting procedure, the licensee must provide identification information according to the Provider's resetting specifications.

c. After a Product/Device is reset, the Provider must provide the licensee with documentation of the transaction and the balance remaining in the licensee's account, unless the Provider provides a monthly statement documenting all transactions for the period and the balance after each transaction.

3.6 Amount of Postage

The PSD descending register is programmed not to exceed \$500 at any time.

4.0 INDICIA

4.1 Design

Product/Device indicia designs (types, sizes, and styles) must be those specified when Product/Device is approved by the USPS for manufacture.

4.2 Legibility

Product/Device indicia must be legible and must not overlap. An illegible or overlapping indicia is not acceptable when determining postage paid. Minimal standards for acceptable reflectance measurements of the indicia and the background material are in the Uniform Symbology Specifications PDF 417. The FIM must meet the dimensions and print quality specified in DMM C810. For an open system, the address and POSTNET barcode must meet the specifications listed in the DMM C840.

4.3 On Tape/Label

The USPS-approved tape/label must be used when IBI indicia are to be printed on tape/label. Labels are subject to corresponding standards in DMM C810.

4.4 Position

The Product/Device indicia must be printed or applied in the upper right corner of the envelope, address label, or tag. The indicia must be at least 1/4 inch from the right edge of the mailpiece and 1/4 inch from the top edge of the mailpiece. The indicia barcode must be horizontally oriented. The indicia must not infringe on the areas reserved for the facing identification mark (FIM), POSTNET barcode, or optical character reader (OCR) clear zone. These apply to pieces meeting the dimensions specified in C800.

4.5 Content, Generally

In usage, the indicia must consist of human-readable information and two-

dimensional barcoded information unless specified otherwise herein. The human-readable information must show, as a minimum, the city, state, and 5-digit ZIP Code of the licensing post office, the device id, and the amount of postage. On approval of the licensing post office, the Product/Device indicia may contain the name and state designation of its local classified branch. This authorization does not apply to classified stations or to contract stations or branches. Alternatively, the indicia may show the ZIP Code rather than the city and state designation. In this case, the words "Mailed From ZIP Code" and the mailer's delivery address ZIP Code must appear in place of the city and state, respectively. When it is necessary to print multidomination Product/Device indicia on more than one tape, the human-readable information showing the post office must be on each tape.

4.6 Complete Date

The month, day, and year must be shown in the indicia on all First-Class Mail, and on all registered, certified, insured, COD, special delivery, and special-handling mail. On Standard Mail the day may be omitted. Mail pieces bearing an indicia with only the month and year may be accepted during the month shown. They may also be accepted through the third day of the following month if the postmaster finds that the mailing was unavoidably delayed before deposit with the USPS.

4.7 Date Accuracy

The date shown in the indicia must be the actual date of deposit. Mail deposited after the day's last scheduled collection may bear the date of the next scheduled collection.

4.8 Date Correction

With the mailpiece oriented to read the address, the indicia showing actual date of mail and the word "REDATE" instead of the postage amount may be used to correct the date. The indicia must be placed on the non-address side at least 20mm from the bottom edge of the mailpiece. The indicia impression must not bear the FIM nor the two-dimensional barcode.

4.9 Postage Correction

An indicia for additional postage may be placed on a shortpaid mailpiece to correct postage. The corrected indicia must be printed on the nonaddress side at least 20mm from the bottom edge of the piece and not on an envelope flap. The Product/Device impression on the nonaddress side must contain all the indicia elements except for the FIM. To

meet two-dimensional barcode readability requirements, an indicia may be printed on a USPS-approved tape/label.

4.10 Other Matter Printed on Product/Device Indicium

Advertising matter, slogans, return addresses, and the postal markings specified in 4.11 may be printed with the indicia within space limitations. A licensee must obtain the content for printing this matter from the authorized Product/Device Provider. Advertising art messages must include the mailer's name or words such as "Mailer's Message." The advertising art must not be obscene, defamatory of any person or group, or deceptive and it must not advocate any unlawful action. The Provider must obtain prior approval for all advertising matter for any Product/Device.

4.11 Postal Markings

Postal markings related to the class or category of mail are permissible. If placed in the advertising art area, only the postal marking may be printed, and it must fill the advertising art area as much as possible. All words must be in bold capital letters at least 1/4 inch high (18-point type) and legible at 2 feet. Exceptions are not made for small advertising art that cannot accommodate a permissible marking.

4.12 Open System FIM

A mailpiece generated from an open system must bear a USPS-approved FIM D unless the envelope is courtesy reply with a FIM A or the piece is not a letter or a flat. The location of the FIM applies to pieces meeting the dimensions specified in DMM C800.

4.13 Closed System FIM

A mailpiece generated from a closed system must bear a USPS-approved FIM E, if the piece is nonbarcoded prior to deposit. If the closed system generates or uses envelopes that bear or will bear a delivery point barcode (DPBC), the envelopes must have a USPS-approved FIM D unless the envelope is a courtesy reply with a FIM A or the piece is not a letter or a flat. The location of the FIM applies to pieces meeting the dimensions specified in DMM C800.

5.0 MAILINGS

5.1 Preparation

Product/Device mail is subject to the preparation standards that apply to the class of mail and rate claimed.

5.2 Combination

Product/Device mail may be combined in the same mailing with mail

paid with other methods only if authorized by the USPS.

5.3 Where to Deposit

Except as noted below, Product/Device mail must be deposited at a post office acceptance unit, window unit, or other location designated by the postmaster of the licensing post office (i.e., the post office shown in the indicia) and may not be given to a delivery employee or deposited in a street collection box, mail chute, receiving box, cooperative mailing rack, or other mail collection receptacle. Exceptions to this general standard are [as follows]:

a. Single-piece rate First-Class Mail may be deposited in any street collection box or such other place where mail is accepted and that is served by the licensing post office.

b. Limited quantities (i.e., a handful) of single-piece rate First-Class Mail may be deposited at offices other than the licensing post office to expedite dispatch.

5.4 Irregularities

Product/Device mail is examined by the USPS to detect irregularities in preparation and dating. Errors do not include pieces that legibly show the previous date if the pieces were deposited in a collection box after the last collection or were not collected by the USPS as scheduled on the date in the indicia.

6.0 PRODUCT/DEVICE MANUFACTURE AND DISTRIBUTION

Title 39, Code of Federal Regulations, part 502, contains information about the authorization to manufacture and distribute Products/Devices; the suspension and revocation of such authorization; performance standards required in Products/Devices, test plans, testing, and approval of Products/Devices; required manufacturing security measures; and standards for the distribution and maintenance of Products/Devices. Further information may be obtained from Retail Systems and Equipment, USPS Headquarters.

List of Subjects in 39 CFR Part 502

Administrative practice and procedure, Postal Service.

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

For the reasons set out in this document, the Postal Service proposes to add 39 CFR part 502 as follows:

PART 502—AUTHORITY TO MANUFACTURE AND DISTRIBUTE INFORMATION BASED INDICIA PRODUCTS AND SERVICES

Sec.

- 502.1 Product/Service Provider authorization.
- 502.2 Product/Service Provider qualification.
- 502.3 Changes in ownership or control.
- 502.4 Burden of proof standard.
- 502.5 Suspension and revocation of authorization.
- 502.6 Description of product/device.
- 502.7 Description of open and closed systems.
- 502.8 Product/Service Provider.
- 502.9 Product/Device specifications.
- 502.10 Test plans.
- 502.11 Security testing.
- 502.12 Product/Device approval.
- 502.13 Conditions for approval.
- 502.14 Suspension and revocation of approval.
- 502.15 Reporting.
- 502.16 Administrative sanction on reporting.
- 502.17 Materials and workmanship.
- 502.18 Destruction of product/device indicia.
- 502.19 Inspection of new products/devices.
- 502.20 Distribution facilities.
- 502.21 Distribution controls.
- 502.22 Administrative sanctions.
- 502.23 Product/Device replacement.
- 502.24 Inspection of products/devices not located.
- 502.25 Products/Devices not located.
- 502.26 Computerized remote postage meter/PSD resetting.
- 502.27 Indicia quality assurance.
- 502.28 Product/Device refunds.
- 502.29 Key management requirements.
- 502.30 Provider infrastructure.
- 502.31 Notice of proposed changes in regulations.

Authority: 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 410, 2610, 2605; Inspector General Act of 1978, as amended (Pub. L. 95-452, as amended), 5 U.S.C. App. 3.

§ 502.1 Product/Service Provider authorization.

Any person or concern seeking authorization to manufacture and/or distribute an Information Based Indicia Program (IBIP) Product/Device 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 Products/Devices and to lease them to persons licensed by the Postal Service. The Postal Service may specify the functional area charged with processing the application and administering its Product/Device program.

§ 502.2 Product/Service Provider qualification.

Any person or Product/Service Provider (hereafter referred to as Provider) wanting authorization to provide and/or lease, sell, or otherwise distribute, as approved by the Postal Service, Products/Devices for use by licensees under Domestic Mail Manual P050.1.2 must:

- (a) Satisfy the Postal Service of its integrity and financial responsibility;
- (b) Obtain approval of at least one Product/Device model incorporating all the features and safeguards specified in § 502.9;
- (c) Have, or establish, and keep under its supervision and control adequate manufacturing facilities suitable to carry out the provisions of § 502.18 through § 502.21 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 retain adequate facilities for the control, distribution, and maintenance of Products/Devices and their replacement when necessary.

§ 502.3 Changes in ownership or control.

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

§ 502.4 Burden of proof standard.

The burden of proof is on the Postal Service in the adjudication of suspensions and revocations under § 502.5 and § 502.14 and administrative sanctions under § 502.16 and § 502.22. Except as otherwise indicated in those sections, the standard of proof shall be the preponderance of evidence standard.

§ 502.5 Suspension and revocation of authorization.

(a) The Postal Service may suspend and/or revoke authorization to provide and/or distribute any or all of a Provider's Products/Devices if the Provider engages in any unlawful scheme or enterprise, fails to comply with any provision in this part 502, or fails to implement instructions issued in accordance with any final decision issued by the Postal Service within its authority over the Product/Device programs.

(b) The decision to suspend or revoke a Provider's authorization shall be based on the nature and circumstances of the violation (e.g., whether the violation was willful, whether the Provider

voluntarily admitted to the violation, whether the Provider cooperated with the Postal Service, whether the Provider implemented successful remedial measures) and on the Provider's performance history. Before determining whether a Provider's authorization to manufacture and/or distribute Products/Devices should be revoked, the procedures in paragraph (c) of this section shall be followed.

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

(1) Upon determination by the Postal Service that a Provider is in violation of the provisions in this part 502, the Postal Service shall issue a written notice of proposed suspension citing deficiencies for which suspension or authorization to manufacture and/or distribute a specific Product/Device or classes thereof may be imposed under paragraph (c)(2) of this section. Except in cases of willful violation, the Provider shall be given an opportunity to correct deficiencies and achieve compliance with all requirements within a time limit corresponding to the potential risk to postal revenue.

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

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

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

- (i) Extend the suspension in order to allow more time for investigation or to allow the Provider to correct the problem;
- (ii) Make a determination to revoke authorization to provide and/or distribute the Provider's Products/Devices in part or in whole; or
- (iii) Withdraw the suspension based on identification and implementation of a satisfactory solution to the problem. Provider suspensions may be withdrawn before the end of the 90-day period if the Postal Service determines that the Provider's solution and implementation are satisfactory.

(d) The Provider may present the Postal Service with a written 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 specify the reasons for which the order should not be imposed.

(e) After receipt and consideration of the defense, the Postal Service shall advise the Provider 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 Provider 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 specify the reasons the Provider believes that the decision is erroneous.

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

§ 502.6 Description of product/device.

The Product/Device prints an authorized Postal Service Information Based Indicia that shows evidence of postage. The indicia consists of a USPS-approved two-dimensional barcode and certain human-readable information such as city and state, 5-digit ZIP Code of licensing post office, Device ID number, date, and amount of postage. The Product/Device includes as a primary component a postal security device (PSD) that provides critical functionality for accounting postage with a computer-based (open system) or postage meter-based (closed system) and a host system. The PSD and host system interact to generate the indicia. The Product/Device is remotely set with postage value and requires the licensee to have funds on deposit with the Postal Service prior to initial setting or resetting.

§ 502.7 Description of open and closed systems.

(a) An "Open System" does not require that the implementing components be dedicated to the IBIP functions. This system may allow multiple non-postage related software applications to be in use and it also may depend on several interconnected devices that may serve multiple purposes for their user. The open system computer and peripherals such as the printer and CD-ROM drive may perform functions unrelated to the Information Based Indicia Program (IBIP). Host operations may depend upon computer software such as operating systems and communications

systems. The open system version is responsible for composing a complete, integrated mailpiece front (or a tape/label for the piece).

(b) The "closed system" is a device dedicated toward IBIP functions. Closed systems do not have to satisfy Postal Service address standards or include the destination ZIP Code in the indicia. Closed systems may satisfy the other administrative requirements through external processes. If a closed system operates as a component of an integrated mailing system, it may be subject to the open system requirements. An integrated mailing system shall be subject to open system requirements if it includes a computer interfaced to the meter and it prepares mailpiece fronts or labels that include both the destination address and the indicium. The integrated system is an open system even if different printers apply the address and the indicium. If the mailing system satisfies these criteria, the USPS considers the "meter" to be an open system peripheral device that performs the dual functions of printing indicia and interfacing the PSD to the open host. The integrated mailing system must be approved by the USPS according to the open system criteria.

§ 502.8 Product/Device provider.

A Product/Device is available only through a lease agreement from Providers authorized by the Postal Service. For an open system, the licensee may purchase the software if the PSD component operates independently of the software. The open system form of the host is envisioned to operate on personal computers. For a closed system, the licensee may purchase the printing device if it is rendered nonfunctional without the PSD. The Postal Service holds Providers responsible for the life cycle, control, operation, maintenance, and replacement of their Products/Devices.

§ 502.9 Product/Device specifications.

The IBIP Specifications describe system elements that include Postal Service infrastructure, Provider infrastructure, and customer infrastructure. The existing Postal Service infrastructure supports customer authorization, product audit, postage resetting reporting, total population management, key management support, financial reconciliation, product lifecycle tracking, lost and stolen/irregularity management functions. The Provider infrastructure will support all IBIP functions. The customer infrastructure will consist of the Product/Device's PSD and host system. The Postal Service will

evaluate and test IBIP Products/Devices for compliance with this infrastructure.

(a) The indicium data content is described in the Information Based Indicia Program (IBIP) Indicium Specification. Contact the Manager, Retail Systems and Equipment, USPS, 475 L'Enfant Plaza, Washington DC 20260-6807 for these requirements.

(b) The PSD implements digital signature technology for the creation and verification of digital signatures. Postal Security Device Specification is described in the Information Based Indicia Program Postal Security Device Specification. Contact the Manager, Retail Systems and Equipment, USPS, 475 L'Enfant Plaza, Washington DC 20260-6807 for these requirements.

(c) Indicia Design Requirements—The indicia design must comply with the requirements in Domestic Mail Manual (DMM) P050.

(d) Host System Functional Requirements are contained in the Information Based Indicia Program Host System Specification. Contact the Manager, Retail Systems and Equipment, USPS, 475 L'Enfant Plaza, Washington DC 20260-6807 for these requirements.

(e) Key Management Functional Requirements are contained in The Information Based Indicia Program Key Management Plan. Contact the Manager, Retail Systems and Equipment, USPS, 475 L'Enfant Plaza SW, Washington DC 20260-6807 for these requirements.

§ 502.10 Test plans.

Each Product/Device Model that is submitted for USPS approval must be submitted in accordance with the provisions contained in the Information Based Indicia Program Interim Product Submission Procedures. Contact the Manager, Retail Systems and Equipment, USPS, 475 L'Enfant Plaza, Washington DC 20260-6807 for these requirements.

§ 502.11 Security testing.

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

§ 502.12 Product/Device approval.

As provided in § 502.12, the Provider has a duty to report security weaknesses to the Postal Service to ensure that each Product/Device model and every Product/Device 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 Product/Device, no change affecting the features or safeguards of a Product/Device may be made except as authorized or ordered by the Postal Service in writing.

§ 502.13 Conditions for approval.

(a) The Postal Service may require at any time that production models of approved Products/Devices, as well as the design, user manuals, and specifications applicable to such Products/Devices and any revisions thereof, be deposited with the Postal Service.

(b) On request by the Postal Service, additional Products/Devices must be submitted to the Postal Service for testing, at the expense of the Provider.

(c) All Product/Device submissions must adhere to the requirements contained in the Information Based Indicia Program Interim Product Submission Procedures. Particular attention should be given to the requirement to simultaneously submit an identical Product/Device to a laboratory accredited under the National Voluntary Laboratory Accreditation Program (NVLAP) for FIPS 140-1 certification.

§ 502.14 Suspension and revocation of approval.

(a) The Postal Service may suspend Product/Device approval under § 502.13 if the Postal Service has probable cause to believe that a Provider's Product/Device or class and/or version thereof poses an unreasonable risk to postal revenue. Suspension of approval to Provider or distribute a Product/Device or class and/or version thereof, in whole or in part, shall be based on the potential risk to postal revenue. Before determining whether approval of a Product/Device or class and/or version 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 Product/Device 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 Provider 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 Provider 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 Provider to correct the problem;

(ii) Make a determination to revoke the approval of the Provider's Product/Device or class and/or version, or

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

(c) The Provider 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 specify 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 Provider of the decision and the facts and reasons for it. The decision shall be effective on receipt unless it states otherwise. The decision shall also advise the Provider 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 the reasons that the Provider 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.

§ 502.15 Reporting.

(a) For purposes of this section, "Provider" refers to the authorized Product/Service Provider in § 502.1 and its foreign or domestic affiliates, subsidiaries, assigns, dealers, independent dealers, employees, and parent corporations.

(b) Each authorized Product/Service Provider in § 502.1 must submit a preliminary report to notify the Postal Service promptly (in no event more than 21 calendar days of discovery) of the following:

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

(2) All potential security weaknesses or methods of Products/Devices tampering that the Provider distributes of which the Provider knows or should know, and the Product/Device or model subject to each method. These potential security weaknesses include but are not limited to suspected equipment defects, suspected abuse by a Product/Device licensee or Provider employee, suspected security breaches of the Computerized Remote Postage Meter Resetting System, cryptographic key compromises, occurrences outside normal performance, or any repeatable deviation from normal Product/Device 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 § 502.15(b), the Provider 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 Provider 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 Provider must establish and adhere to timely and efficient procedures for internal reporting of potential security weaknesses. The Provider is required to submit a copy of internal reporting procedures and instructions to the Postal Service for review.

§ 502.16 Administrative sanction on reporting.

(a) Notwithstanding any act, admission, or omission by the Postal Service, an authorized Provider may be subject to an administrative sanction for failing to comply with § 502.15.

(b) The Postal Service shall determine all costs and revenue losses measured from the date that the Provider 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 Product/Device for which the Provider failed to comply with any provision in § 502.15. The Postal Service may recover from Provider any and all such costs and losses (net of any amount collected by the Postal Service from the licensees or Product/Device users) with interest by issuing a written notice to the Provider setting forth the facts and reasons on which the determination to impose the sanction is based. The notice shall advise the Provider 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 Provider 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 specify the reasons for which the sanction should not be imposed.

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

(e) The Provider 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 specify the reasons that the Provider 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.

§ 502.17 Materials and workmanship.

All Products/Devices must adhere to the quality in materials and workmanship of the approved

production model and must be manufactured with suitable chips, tools . . . etc., to ensure proper functioning.

§ 502.18 Destruction of product/device indicia.

All IBIP indicia created in the process of testing the Products/Devices by the provider, or its agent, must be collected and destroyed daily.

§ 502.19 Inspection of new products/devices.

All new Products/Devices must be inspected carefully before leaving the Provider's Product/Device facility.

§ 502.20 Distribution facilities.

An authorized Provider must keep adequate facilities for and records of the distribution, control, and maintenance of Products/Devices. All such facilities and records are subject to inspection by Postal Service representatives.

§ 502.21 Distribution controls.

Each authorized Product/Service Provider must do the following:

(a) Hold title permanently to all leased PSDs except those purchased by the Postal Service.

(b) On behalf of applicants, electronically transmit 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 PSDs only to parties that have valid licenses issued by the Postal Service.

(d) Supply with the host system only Product/Device slogan or advertising art that meets the Postal Service requirements for suitable quality and content. The Provider must obtain prior approval for all advertising matter for any Product/Device.

(e) Unless otherwise authorized by the Postal Service, the Provider must immediately obtain and check out of service PSDs, if the licensee no longer wants the PSD or if the PSD is to be removed from service for any other reason. The Provider must keep in its possession for at least 1 year the licensee's PS Form 3601-C, Postage Meter Installation, Withdrawal, or Replacement, and copy of the applicable PS Form 3602-A, Record of Meter Register Readings, or equivalent.

(f) Retrieve any misregistering, faulty, or defective Product/Device to be checked out of service within 3 business days of being notified by the licensee of the defect. After examining the Product/Device withdrawn for apparent faulty operation affecting registration, the Provider must compile a report explaining the malfunction to Retail

Systems and Equipment (RSE), USPS Headquarters.

(g) Report promptly the loss or theft of any Product/Device or the recovery of any lost or stolen Product/Device. The Provider must provide notification to the Postal Service by completing a standardized lost and stolen Product/Device incident report and filing it with the Postal Service within 30 days of the Provider's determination of a Product/Device loss, theft, or recovery. The Provider must complete all preliminary location activities specified in § 502.25 before submitting this report to the Postal Service.

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

(i) Promptly remove from service any Product/Device that the Postal Service indicates should be removed from service. When a Product/Device license is canceled, all Products/Devices in use by the licensee must be removed from service.

(j) Examine each Product/Device withdrawn from service for failure to record its operations correctly and accurately, and report to the Postal Service the failure or fault that caused the failure.

(k) Provide RSE monthly with a compatible computer tape of lost or stolen Products/Devices. The file is due on the first of each month (for the preceding month's activity).

(l) Take reasonable precautions in the transportation and storage of Products/Devices to prevent use by unauthorized individuals. Providers must ship all Products/Devices by Postal Service Registered Mail unless given written permission by the Postal Service to use another carrier. The Provider must demonstrate that the alternative delivery carrier employs security procedures equivalent to those for registered mail.

(m) Submit a daily financial transaction for each postage value download or postage refill.

§ 502.22 Administrative sanction.

(a) *Product/Device* for purposes of this section means any Product/Device manufactured by an authorized Provider under § 502.1 that is not owned or leased by the Postal Service.

(b) An authorized Provider that, without just cause, fails to conduct or perform adequately any of the controls in § 502.21, to follow standardized lost and stolen Product/Device incident reporting in § 502.25, or to conduct any of the inspections required by § 502.24 in a timely fashion is subject to an

administrative sanction based on the investigative and administrative costs and documented revenue losses (net of any amount collected by the Postal Service from the licensee or Product/Device user) with interest per occurrence measured from the date on which the cost and/or loss occurred, as determined by the Postal Service. Sanctions shall be based on the costs and revenue losses that result from the Provider'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 Provider 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 Provider of the date that the action shall take effect if a written defense is not presented within 30 calendar days of receipt of the notice.

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

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

(f) The Provider may submit a written appeal of the decision within 30 calendar days of receiving the decision, addressed to the manager of Retail Systems and Equipment, Postal Service Headquarters. The appeal must include all supporting evidence and specify the reasons that the Provider believes that the administrative sanction was erroneously imposed. The submission of an appeal stays the effectiveness of the sanction.

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

§ 502.23 Product/Device replacement.

(a) The Provider must keep its Products/Devices in proper operating condition for licensees by replacing them when necessary or desirable to prevent electronic failure, malfunction, clock/timer/battery life expiration, or mechanical breakdown.

(b) The Provider must provide the licensees with modifications reflecting rate changes.

§ 502.24 Inspection of products/devices in use.

The Provider must conduct audits of PSDs at least once every 3 months in conjunction with the postage value resetting requirements in § 502.26. In general, the primary role of the PSD in the device audit function is to create device audit messages and pass those messages to the host system for transmission to the Postal Service.

§ 502.25 Products/Devices not located.

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

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

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

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

(3) Contact the CMLS site and the local MATS coordinator to verify the location of the Product/Device or licensee currently maintained in those Postal Service records.

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

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

(6) Mail a certified letter with return receipt to the licensee at the last known address with the endorsement "Forwarding and Address Correction Requested."

(7) If new address information is obtained during these steps, any scheduled Product/Device inspection must be completed promptly.

(b) If a Product/Device is reported to be lost or stolen by the licensee, the Provider must, at a minimum, complete the following actions:

(1) Ensure that the 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 Product/Device until the

missing Product/Device has been properly reported to the police and to the appropriate Inspection Service CPIP specialist.

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

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

(e) Any authorized Provider that fails to comply with standardized lost and stolen reporting procedures and instructions is subject to an administrative sanction under § 502.22, as determined by the Postal Service.

§ 502.26 Computerized Remote Postage Meter Resetting/PSD Resetting.

(a) *Description.* The Computerized Remote Meter Resetting System (CMRS) permits postal licensees to reset PSDs at their places of business and/or homes via modem and/or network interface. To reset a PSD, the licensee must connect to the Provider and provide identifying data and device audit data. Before proceeding with the setting transaction, the Provider must verify all the data (including conducting the product audit) and ascertain from its own files whether the licensee has sufficient funds on deposit with the Postal Service. If the funds are available and the product audit was successful, the Provider 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 before resetting a PSD or the Provider may opt to provide a funds advance in accordance with *The Cash Management Operating Specifications For The Computerized Remote Postage Meter Resetting System*. Contact the Treasurer's Office of the United States Postal Service, 475 L'Enfant Plaza SW, Washington, DC 20260-5130 for this

document. 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 Provider, for the purpose of prepayment of postage. The Provider 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 Minneapolis Accounting Service Center by the Provider.

(2) This is required to incorporate the following language into its Product/Device rental agreements:

Acknowledgement of Deposit Requirement

See The Cash Management Operating Specifications For The Computerized Remote Postage Meter Resetting System. Contact the Treasurer's Office of the United States Postal Service, 475 L'Enfant Plaza SW, Washington DC 20260-5130 for this document.

§ 502.27 Indicia quality assurance.

The licensee is required to forward a mailpiece to the Provider at least once every 3 months for evaluation. If the licensee fails to comply with this requirement, the Provider must notify the licensee that, all future postage value resets will be denied. The Provider must notify the Postal Service of all noncomplying licensees, so that license revocations can be initiated. The Provider is required to provide guidance to the licensee to correct any deficiencies that are discovered.

§ 502.28 Product/Device refunds.

Postage losses due to malfunctions are the responsibility of the Provider. In order to receive a refund for any remaining balance on a PSD, the licensee will be required to submit a written refund request and the PSD to the Provider. Additionally, supporting documentation such as a daily activity report must be submitted. The Postal Service will also provide refunds to a licensee for any balance remaining in their CMRS account.

§ 502.29 Key management requirements.

These requirements are contained in The Information Based Indicia Program Key Management Plan. Contact the Manager, Retail Systems and Equipment, USPS, 475 L'Enfant Plaza, Washington DC 20260-6807 for these requirements.

§ 502.30 Provider infrastructure.

The Provider must establish and maintain an interface to USPS systems as specified in the Information Based

Indicia Program Product/Service Provider Infrastructure Specification. Contact the Manager, Retail Systems and Equipment, USPS, 475 L'Enfant Plaza, Washington DC 20260-6807 for these requirements.

§ 502.31 Notice of Proposed Changes in Regulations.

Appropriate amendments to 39 CFR parts 111 and 502 to reflect these changes will be published if the proposal is adopted

Stanley F. Mires,

Chief Counsel, Legislative.

[FR Doc. 97-7861 Filed 3-27-97; 8:45 am]

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ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[MI38-01-6734; FRL-5803-2]

Approval And Promulgation Of Implementation Plans: Michigan

AGENCY: Environmental Protection Agency.

ACTION: Proposed rule.

SUMMARY: The Environmental Protection Agency (EPA) is proposing to approve requested State Implementation Plan (SIP) revisions submitted by the State of Michigan for the purpose of transferring the authority of the Michigan Air Pollution Control Commission (Commission) to the Director of the Michigan Department of Natural Resources (MDNR) and subsequently transferring the authority of the Director of MDNR to the Director of the Michigan Department of Environmental Quality (MDEQ). Nothing in this action should be construed as permitting, allowing, or establishing a precedent for any future request for revision to any SIP. The EPA shall consider each request for revision to the SIP in light of specific technical, economic, and environmental factors and in relation to relevant statutory and regulatory requirements.

DATES: Comments on this proposed rule must be received in writing on or before April 28, 1997. Public comments on this document are requested and will be considered before taking final action on this SIP revision.

ADDRESSES: Written comments should be sent to: Carlton T. Nash, Chief, Regulation Development Section, Air Programs Branch (AR-18J), U.S. Environmental Protection Agency, 77 West Jackson Boulevard, Chicago, Illinois 60604.

Copies of the Michigan SIP revision request and EPA's analysis are available for inspection at the above address.

FOR FURTHER INFORMATION CONTACT:

Laura Gerleman, Air Programs Branch, Permits and Grants Section (AR-18J), U.S. Environmental Protection Agency, Region 5, 77 West Jackson Boulevard, Chicago, Illinois 60604, (312) 353-5703.

Copies of the State of Michigan's final authorization revision application are available during normal business hours at the following addresses for inspection and copying: Library of Michigan, Government Documents Section, 717 West Allegan, Lansing, Michigan; Olson Library, Northern Michigan University, Harden Circle Drive, Marquette, Michigan; Detroit Public Library Main Branch, Sociology and Economics Department, 5201 Woodward Avenue, Detroit, Michigan. To arrange for access to the materials in Lansing, call (517) 373-9489 between 9 a.m. and 6 p.m. on Mondays through Saturdays and between 12 p.m. and 4 p.m. on Sundays (Eastern time); in Marquette, call (906) 227-2260 between 8 a.m. and 12 a.m. on Mondays through Thursdays, between 8 a.m. and 9 p.m. on Fridays, and between 10 a.m. and 6 p.m. on Sundays (Eastern time); in Detroit, call (313) 833-1440 between 9:30 a.m. and 5:30 p.m. on Tuesdays and Thursdays through Saturdays, and between 1 p.m. and 9 p.m. on Wednesdays (Eastern time). Anyone wishing to come to the Region 5 offices should contact Laura Gerleman first.

SUPPLEMENTARY INFORMATION:

A. Executive Order 1991-31

On November 8, 1991, Governor John Engler of Michigan signed Executive Order 1991-31 which, inter alia, abolished the Commission and transferred the authority of the Commission to the Director of MDNR. The State of Michigan submitted to EPA under a December 13, 1994 cover letter, a SIP revision request containing the transfer of authority of the Commission to the Director of MDNR. The EPA deemed the submittal complete in a February 16, 1995 letter to Roland Harmes, Director, MDNR.

B. Executive Order 1995-18

On July 31, 1995, Governor Engler signed Executive Order 1995-18 which, inter alia, elevated eight program divisions and two program offices from within MDNR to the MDEQ, effective October 1, 1995. The authority given to the Director of MDNR in Executive Order 1991-31 was conferred upon the Director of MDEQ in Executive Order 1995-18, with the exception of administrative appeals decisions. For administrative appeals where the Director of MDEQ made the original permit decision, Executive Order 1995-

18 requires the Director to appoint an individual within or outside MDEQ to decide the appeal.

The State of Michigan submitted Executive Order 1995-18 to EPA under a January 19, 1996 cover letter as a supplement to the December 13, 1994 SIP revision.

C. Authority

The EPA proposes to approve Michigan's requested SIP revisions as reorganizations of Michigan's environmental agencies wherein the authorities of the Director of the Commission under the SIP have been conferred upon the Director of MDEQ by Executive Order. Public comment is solicited on the requested SIP revision and on EPA's proposed approval of the request. Public comments received by the date indicated above will be considered in the development of EPA's final rule.

The EPA notes that it is currently reviewing the Michigan Environmental Audit Privilege and Immunity Law, Public Act 132 of 1996, and its potential impact on Michigan's federally delegated and authorized programs, including programs under the Federal Clean Air Act. The EPA's proposed approval only addresses and seeks comments on the requested SIP revisions submitted by Michigan that result from Executive Order 1991-31 and Executive Order 1995-18. The EPA's proposed approval of requested revisions to Michigan's SIP arising out of these two Executive Orders does not express any viewpoint on the question of whether there are legal deficiencies in Michigan's SIP resulting from Public Act 132 of 1996.

Administrative Requirements

This action has been classified as a Table 3 action for signature by the Regional Administrator under the procedures published in the **Federal Register** on January 19, 1989 (54 FR 2214-2225), as revised by a July 10, 1995 memorandum from Mary Nichols, Assistant Administrator for Air and Radiation. The Office of Management and Budget (OMB) has exempted this regulatory action from E.O. 12866 review.

Under the Regulatory Flexibility Act, 5 U.S.C. 600 et seq., EPA must prepare a regulatory flexibility analysis assessing the impact of any proposed or final rule on small entities. (5 U.S.C. 603 and 604.) Alternatively, EPA may certify that the rule will not have a significant impact on a substantial number of small