

Done in Washington, DC, this 8th day of November 2007.

Kevin Shea,

Acting Administrator, Animal and Plant Health Inspection Service.

[FR Doc. E7-22279 Filed 11-14-07; 8:45 am]

BILLING CODE 3410-34-P

FARM CREDIT ADMINISTRATION

12 CFR Part 630

RIN 3052-AC40

Disclosure to Investors in System-Wide and Consolidated Bank Debt Obligations of the Farm Credit System

AGENCY: Farm Credit Administration.

ACTION: Direct final rule.

SUMMARY: The Farm Credit Administration (FCA or we) issues this direct final rule amending our regulation on the external auditor's assessment of internal control over financial reporting concerning the System-wide annual report to investors. The effect of the amended rule is to require the external auditor of the Federal Farm Credit Banks Funding Corporation (Funding Corporation) to express an opinion on the effectiveness of internal control over financial reporting instead of reporting on management's assessment of internal control over financial reporting. The amended rule implements recent changes in industry practices.

DATES: If no significant adverse comment is received on or before December 17, 2007, these regulations shall be effective upon the expiration of 30 days after publication in the **Federal Register** during which either or both Houses of Congress are in session. We will publish notice of the effective date in the **Federal Register**. If we receive significant adverse comment on an amendment, paragraph, or section of this rule, and that provision may be addressed separately from the remainder of the rule, we will withdraw that amendment, paragraph, or section and adopt as final those provisions of the rule that are not the subject of a significant comment. In such a case, we would then tell you how we expect to continue further rulemaking on the provisions that were the subject of significant adverse comment.

ADDRESSES: We offer a variety of methods for you to submit comments. For accuracy and efficiency reasons, we encourage commenters to submit comments by e-mail, through the Agency's Web site, or the Federal eRulemaking Portal. Regardless of the

method you use, please do not submit your comment multiple times via different methods. You may submit comments by any of the following methods:

- *E-mail:* Send us an e-mail at reg-comm@fca.gov.
- *Agency Web site:* <http://www.fca.gov>. Once you are at the Web site, select "Public Commenters," then "Public Comments."
- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Mail:* Gary K. Van Meter, Deputy Director, Office of Regulatory Policy, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090.
- *Fax:* (703) 883-4477. Posting and processing of faxes may be delayed. As faxes are difficult for us to process and achieve compliance with section 508 of the Rehabilitation Act, please consider another means to submit your comment if possible.

You may review copies of comments we receive at our office in McLean, Virginia, or from our Web site at <http://www.fca.gov>. Once you are in the Web site, select "Public Commenters," then select "Public Comments," then select "Submitting a Comment" and follow the instructions there. We will show your comments as submitted, but for technical reasons we may omit items such as logos and special characters. Identifying information that you provide, such as phone numbers and addresses, will be publicly available. However, we will attempt to remove e-mail addresses to help reduce Internet spam.

FOR FURTHER INFORMATION CONTACT: Wade Wynn, Policy Analyst, Office of Regulatory Policy, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4414, TTY (703) 883-4434, or Laura McFarland, Senior Attorney, Office of General Counsel, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4020, TTY (703) 883-4020.

SUPPLEMENTARY INFORMATION:

I. Background

The FCA adopted a final rule on December 20, 2006, amending our disclosure and reporting requirements for Farm Credit System (System) institutions.¹ As part of that rulemaking, we added a requirement in § 630.5(d) to include a report by management assessing the effectiveness of internal control over financial reporting in the System-wide annual report to investors. We also added a requirement that the

external auditor of the Funding Corporation review, attest, and report on management's assessment of internal control over financial reporting. The December 2006 rulemaking adding § 630.5(d) did not receive any objections to requiring an external auditor to report on management's assessment of internal control over financial reporting in the System-wide annual report to investors. Commenters did ask that the attestation reporting requirement be similar to that of Public Company Accounting Oversight Board (PCAOB) auditing standards, and we agreed. We further explained that the external auditor's attestation report should conform to other applicable industry standards, which we identified as those regulations of the Securities and Exchange Commission (SEC) implementing the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).² Although the System is not covered by the provisions of Sarbanes-Oxley, nor regulated by the SEC, we generally regard SEC rules as the industry standard in this area, and we continue to follow this same general approach with consideration given to the unique cooperative structure of the System.

On June 27, 2007, the SEC revised its requirement regarding the external auditor's attestation report.³ The SEC now requires the external auditor to express an opinion directly on the effectiveness of internal control over financial reporting instead of reporting on management's assessment of internal control over financial reporting. The SEC continues to require external auditors to evaluate whether management has included appropriate disclosures in its assessment report. Further, on July 25, 2007, the SEC approved PCAOB Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements."⁴ Auditing Standard No. 5 is intended to increase the accuracy of financial reports and reduce costs by making audits more risk-based and scalable to company size and complexity. Auditing Standard No. 5 requires the external auditor to form an opinion on the effectiveness of internal control over financial reporting except in the circumstance of a scope limitation that would result in the auditor disclaiming an opinion. The

² Pub. L. 107-204 (July 30, 2002).

³ 72 FR 35310 (June 27, 2007).

⁴ Auditing Standard No. 5 supersedes Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements" for all audits of internal control ending on or after November 15, 2007.

¹ 71 FR 76111 (December 20, 2006).

external auditor generally disclaims an opinion when significant limitations prevent him from performing all the tests necessary to complete the audit and render an opinion. Auditing Standard No. 5 also requires the external auditor to modify his or her opinion on the effectiveness of internal control over financial reporting if the auditor determines that management's assessment is not fairly stated.

II. Funding Corporation External Auditor's Attestation of Internal Control Over Financial Reporting

The FCA is amending § 630.5(d)(2) to conform with applicable industry standards for auditor attestations on internal control over financial reporting. The requirement in § 630.5(d)(2) for the external auditor of the Funding Corporation to review, attest, and report on management's assessment of internal control over financial reporting is no longer consistent with industry standards. Industry standards now require attestation reports to opine on the effectiveness of internal control over financial reporting. The amendment in this rulemaking will conform with these new standards.

The provision of § 630.5(d)(2), as amended by this direct final rulemaking, requires the external auditor of the Funding Corporation to include in the attestation report, an opinion on the effectiveness of internal control over financial reporting. The revised requirement reduces confusion, clarifies reporting, and more effectively communicates the external auditor's responsibility in relation to management's process and necessarily conveys whether management's assessment is fairly stated.

III. Direct Final Rule

We are amending § 630.5(d)(2) by a direct final rulemaking. The Administrative Conference of the United States recommends direct final rulemaking for Federal agencies to enact noncontroversial regulations on an expedited basis, without the usual notice and comment period.⁵ This process enables us to reduce the time and resources we need to develop, review, and publish a final rule while still affording the public an adequate opportunity to comment or object to the rule.

In a direct final rulemaking, we notify the public that the rule will become final on a specified future date unless we receive significant adverse comment

during the comment period. A significant adverse comment is one where the commenter explains why the rule would be inappropriate (including challenges to its underlying premise or approach), ineffective, or unacceptable without a change. In general, a significant adverse comment would raise an issue serious enough to warrant a substantive response from the agency in a notice-and-comment proceeding.

We believe that a direct final rulemaking is the appropriate method for amending § 630.5(d)(2) to conform to new industry standards. We do not anticipate there will be significant adverse comments. We received no objectionable comments to the December 2006 rulemaking that added the requirement for an external auditor attestation, which conformed with SEC requirements at the time. Further, we stated at that time our intent to remain consistent with industry standards in this area, and commenters agreed. If, however, we receive a significant adverse comment during the comment period, we will publish a notice of withdrawal of the relevant provisions of this rule that will also indicate how further rulemaking will proceed. If we receive no significant adverse comment, we will publish notice of the effective date of the rule following the required Congressional waiting period under section 5.17(c)(1) of the Farm Credit Act of 1971, as amended.

IV. Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), FCA hereby certifies that the direct final rule will not have a significant economic impact on a substantial number of small entities. Each of the banks in the Farm Credit System, considered together with its affiliated associations, has assets and annual income in excess of the amounts that would qualify them as small entities. Therefore, Farm Credit System institutions are not "small entities" as defined in the Regulatory Flexibility Act.

List of Subjects in 12 CFR Part 630

Accounting, Agriculture, Banks, banking, Organization and functions (Government agencies), Reporting and recordkeeping requirements, Rural areas.

■ For the reasons stated in the preamble, part 630 of chapter VI, title 12 of the Code of Federal Regulations is amended as follows:

PART 630—DISCLOSURE TO INVESTORS IN SYSTEM-WIDE AND CONSOLIDATED BANK DEBT OBLIGATIONS OF THE FARM CREDIT SYSTEM

■ 1. The authority citation for part 630 continues to read as follows:

Authority: Secs. 5.17, 5.19 of the Farm Credit Act (12 U.S.C. 2252, 2254).

Subpart A—General

■ 2. Revise § 630.5(d)(2) to read as follows:

§ 630.5 Accuracy of reports and assessment of internal control over financial reporting.

* * * * *

(d) *Management assessment of internal control over financial reporting.*

* * * * *

(2) The Funding Corporation must require its external auditor to issue an attestation report, which must express an opinion on the effectiveness of internal control over financial reporting. The resulting attestation report must accompany management's assessment and be included in the annual report.

Dated: November, 8, 2007.

Roland E. Smith,

Secretary, Farm Credit Administration Board.

[FR Doc. E7-22312 Filed 11-14-07; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA-2007-28380; Directorate Identifier 2007-NM-088-AD; Amendment 39-15254; AD 2007-23-08]

RIN 2120-AA64

Airworthiness Directives; Boeing Model 747-400, 747-400D, and 747-400F Series Airplanes; Model 757-200 Series Airplanes; and Model 767-200, 767-300, and 767-300F Series Airplanes

AGENCY: Federal Aviation Administration (FAA), Department of Transportation (DOT).

ACTION: Final rule.

SUMMARY: The FAA is adopting a new airworthiness directive (AD) for certain Boeing Model 747-400, 747-400D, 747-400F, 757-200, 767-200, 767-300, and 767-300F series airplanes. This AD requires inspecting to determine the date code of the time delay relay for the cargo fire suppression system, and

⁵ Recommendation 95-4, referencing the Administrative Procedure Act "good cause" exemption at 5 U.S.C. 553(b)(B), (adopted June 15, 1995).