

Assurance Report

1507 Custodian Bank Review

January 26, 2015

Cindy Rougeou, Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

Bank of New York Mellon (BNYM) fulfills their contractual and fiduciary duties to LASERS. The reviewed policies, procedures, and controls that BNYM has put in place are effective.

This review included a site visit to the BNYM location in Everett, Massachusetts. LASERS audit staff interacted with various members of the BNYM team and all personnel were professional and courteous. BNYM fulfilled all requests for information related to LASERS, including coordinating meetings, conference calls, and process observations during the site visit.

There were no issues identified during this review.

BACKGROUND

This was a planned engagement on the fiscal year end 2015 Audit Plan. The fieldwork for this engagement was completed on January 12, 2015.

LASERS has utilized the services of BNYM since July of 2005. BNY Mellon performs several key services for LASERS which include areas such as:

- Accounting
- Global custody
- Workbench client reporting
- Foreign exchange
- Securities lending
- Internal portfolio trade support
- Investment performance and risk analytics
- Investment guideline monitoring
- Tax reclamations
- Corporate actions

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- Class actions

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement was to review the activities of LASERS custodian bank for the contract period(s).

The primary objectives of this engagement were to:

- Determine if adequate internal controls exist and LASERS assets are properly safeguarded and accounted for.
- Determine if the custodian bank contract(s) are current, complete, and complied with.
- Review and evaluate the policies and procedures in regards to LASERS assets.
- Determine if the custodian bank has effective contingency plans to continue active management of LASERS assets.

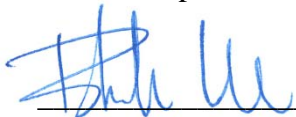
Procedures used to complete this engagement included:

- Review documentation provided by BNYM.
- Meeting with key personnel and staff to understand the process and identify controls for key processes.
- Observation of BNYM facilities in Everett, Massachusetts and on-site controls, where possible.
- Research, testing, and various alternative methods were performed to achieve the stated objectives.
- Conducting other inquiries necessary to achieve outlined objectives.

This engagement was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

FOLLOW-UP

A follow-up to this engagement will not be scheduled at this time.



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Audit Manager



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