

**TEXAS LOTTERY COMMISSION**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR MEGA MILLIONS MEMBER LOTTERIES**

**MARCH 31, 2014**



## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Texas Lottery Commission and  
Mega Millions Member Lotteries

We have performed the procedures enumerated below, which were agreed to by the Texas Lottery Commission (the "Commission") and the Mega Millions Member Lotteries (collectively, the specified parties), solely to assist you with respect to procedures surrounding Mega Millions' accounting and reporting by the Commission. The Commission's management is responsible for the Commission's accounting records. This agreed upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- a. Obtain from the Texas Lottery Commission the "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2013 – March 31, 2014 and attach those as Exhibits I and II, respectively. Prove the mathematical accuracy of the schedules and note any exceptions.

*Finding* – We obtained the "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2013 to March 31, 2014 and have attached those as Exhibits I and II, respectively. We footed the schedules without exception.

- b. Randomly select five (5) draw dates from the period April 1, 2013 – March 31, 2014.

*Finding* – We randomly selected the following dates: May 14, 2013, May 31, 2013, July 26, 2013, October 29, 2013, and January 28, 2014.

- c. For each draw date selected in step "b" above, compare the total amount of sales as shown on the daily sales report produced by the Texas Lottery Commission's gaming system and the total amount of sales shown on the related daily sales report produced by Internal Control System ("ICS"), with the balance listed in the "sales" column for the respective draw date on the "Draw Activity" report attached as Exhibit I and ensure they are in agreement.

*Finding* – We agreed the total amount of sales as shown on the daily sales report produced by the Commission's gaming system and the total amount of sales shown on the related daily sales report produced by ICS with the balance listed in the "sales" column for the draw dates selected in step "b" on the "Draw Activity" report attached as Exhibit I without exception.

- d. Calculate the total dollar amount of the fixed prizes for the draw dates selected in step "b" above, based on the total number of winners from the Texas Lottery Commission's gaming system for each prize level and the prize structure of the Mega Millions fixed prizes (as defined in the official game rules). Compare the calculated expense with the amount listed in the "Actual Fixed Prizes" column for the respective draw date on the "Draw Activity" report attached as Exhibit I and ensure they are in agreement.

*Finding* – We calculated the total dollar amount of the fixed prizes for the draw dates selected in step "b" above without exception. We agreed the calculated expense to the amount listed in the "Actual Fixed Prizes" column for the respective draw date on the "Draw Activity Report" attached at Exhibit I without exception.

- e. For each draw date selected in step "b" above, compare the amount of sales, actual fixed prizes, and share of fixed prizes shown on the "Draw Activity" report attached as Exhibit I to the amounts shown on the applicable Mega Millions Prize Settlement Reports and ensure they are in agreement.

*Finding* – We agreed the amount of sales, actual fixed prizes, and share of fixed prizes shown on the "Draw Activity" report attached as Exhibit I for each draw date selected in step "b" to the amounts shown on the applicable Mega Millions Prize Settlement Reports without exception.

- f. For the period identified, randomly select two months and obtain the "Expired Prize Settlement Report" distributed by the Virginia Lottery. For the two months selected, obtain from the Texas Lottery Commission Internal Control System the actual fixed prizes awarded, and the prizes unclaimed. Compare the ICS data back to the data reported from the Virginia Lottery for each draw of the subject months to ensure they are in agreement.

*Finding* – We randomly selected the July 2012 and January 2013 Expired Prize Settlement ("EPS") reports prepared by the Virginia Lottery on August 8, 2013 and February 10, 2014 and agreed the Commission's ICS data to the data reported from the Virginia Lottery with the following exceptions:

- Unclaimed prizes for the July 3, 2012 draw date were reported as \$20,720 and \$20,100 by the ICS and EPS reports, respectively. No other exceptions were noted.

*Commission's response* – Management agrees. However, it is important to note that the amount of expired prizes reported to the Virginia Lottery is correct and the differences is due to the internal processes that do not affect the ICS purging of prizes.

- g. Compare the amounts shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the "Draw Activity" report attached as Exhibit I to the applicable amounts shown on the "Fixed Prize Analysis" report attached as Exhibit II and ensure they are in agreement.

*Finding* – We agreed the amounts shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the "Draw Activity" report attached as Exhibit I to the applicable amounts shown on the "Fixed Prize Analysis" report attached as Exhibit II without exception.

- h. For the amount (if any) listed in the "Cash Options Amount" column of the "Draw Activity" report attached as Exhibit I, obtain and compare the amount to the Texas Lottery Commission's cash disbursement subsidiary records which summarize the funds disbursed to the prize winner.

*Finding* – We agreed the "Cash Options Amount" column of the "Draw Activity" report attached as Exhibit I to the Commission's cash disbursement subsidiary records for the funds disbursed to the prize winner on the July 16, 2013 draw date without exception.

- i. For each purchase (if any) of investments associated with the jackpot prizes:
  - 1. Review broker confirmations to verify that investments are funded in accordance with allowed investment vehicles per the multi-state rules, regulations or procedures.
  - 2. Obtain the bid sheets and supporting documentation and verify the investments were purchased through a competitive bidding process involving a minimum of three brokerage firms.
  - 3. Review the Texas Lottery Commission's cash disbursement subsidiary records and confirm that the payment to the broker, plus the cash held by the Lottery for the initial cash payment, equals the amount listed in the "Annuitized JP Amount" column.
  - 4. Obtain the Security Purchase report which lists the results of the security purchase and verify that the information reported to the group is accurate, including the annuity factor for the non-winning bidders.

*Finding* – We noted there were no purchases of investments associated with jackpot prizes; therefore, the procedure is not applicable and was not performed.

- j. Compare the total of the period transfers from the Texas Lottery Commission to the Virginia Lottery for settlement of the fixed prize liability as shown in the Texas Lottery Commission's cash disbursement subsidiary records to the amount listed in the "Qtrly/Yrly Settlements Transfers In (Out)" column on the "Fixed Prize Analysis" report attached as Exhibit II and ensure they are in agreement.

*Finding* – We agreed the total of the period transfers from the Commission to the Virginia Lottery for settlement of the fixed prize liability as shown in the Commission's cash disbursement subsidiary records to the amount listed in the "Qtrly/Yrly Settlements Transfers In (Out)" column on the "Fixed Prize Analysis" attached as Exhibit II without exception.

- k. Compare the balance listed as the Texas Lottery Commission's receivable as of March 31, 2014 for the fixed prizes as shown on the "Fixed Prize Analysis" report attached as Exhibit II to the Texas Lottery Commission's financial accounting records and to the Mega Millions Prize Settlement Report as of March 31, 2014 and ensure they are in agreement.

*Finding* – We agreed the balances listed as the Commission's receivable as of March 31, 2014 for the fixed prizes as shown on the "Fixed Prize Analysis" report attached as Exhibit II to the Commission's financial accounting records and the Mega Millions Prize Settlement Report as of March 31, 2014 without exception.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified parties and is not intended to be and should not be used by anyone other than those specified parties.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
August 22, 2014

MS400L  
MS400PF1  
FIN76/VLTPRD

MEGA MILLIONS  
Texas Draw Activity  
From 04/02/2013 To 03/31/2014

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	4/02/2013	1,004,738	114,309	135,461		
	4/05/2013	1,141,339	161,500	255,465		
	4/09/2013	1,093,751	393,195	214,132		
	4/12/2013	1,222,667	456,586	346,389		
	4/16/2013	1,175,261	145,101	220,760		
	4/19/2013	1,285,157	175,151	294,839		
	4/23/2013	1,312,862	417,183	238,627		
	4/26/2013	1,563,494	406,511	241,178		
	4/30/2013	1,548,984	178,853	236,795		
	5/03/2013	1,732,103	171,876	303,458		
	5/07/2013	1,781,778	215,902	266,190		
	5/10/2013	2,021,954	497,475	388,566		
	5/14/2013	2,175,775	276,769	426,190		
NJ/VA	5/17/2013	3,454,627	628,778	658,895		
	5/21/2013	1,070,532	111,434	177,730		
	5/24/2013	992,344	121,080	158,603		
	5/28/2013	873,007	115,464	107,231		
NJ	5/31/2013	1,070,668	115,218	258,352		
	6/04/2013	883,529	114,473	127,599		
	6/07/2013	989,001	118,409	220,404		
	6/11/2013	930,850	92,232	152,291		
	6/14/2013	1,033,676	605,103	255,368		
	6/18/2013	965,357	108,316	131,959		
	6/21/2013	1,070,937	119,351	235,930		
	6/25/2013	1,021,817	365,823	203,532		
	6/28/2013	1,138,080	134,775	145,841		
	7/02/2013	1,122,906	104,142	194,835		
MI	7/05/2013	1,181,879	122,275	181,193		
	7/09/2013	832,927	80,572	92,874		
	7/12/2013	897,388	116,959	136,040		
TX	7/16/2013	858,312	88,838	203,184		13,221,990.00
	7/19/2013	884,076	91,247	152,116		
	7/23/2013	812,461	86,994	83,034		
NJ	7/26/2013	915,743	346,376	159,274		
	7/30/2013	799,638	93,506	85,148		
	8/02/2013	919,236	108,605	164,949		
	8/06/2013	952,240	96,452	115,291		
	8/09/2013	1,017,243	379,885	150,530		
	8/13/2013	919,703	127,187	150,411		
	8/16/2013	1,046,497	139,547	232,743		
	8/20/2013	1,018,946	122,424	198,336		
	8/23/2013	1,127,186	135,670	248,444		
	8/27/2013	1,063,815	103,669	175,293		
	8/30/2013	1,185,962	390,254	195,752		
	9/03/2013	1,077,385	137,713	187,849		
	9/06/2013	1,279,244	401,467	237,900		
	9/10/2013	1,345,306	144,837	202,431		
	9/13/2013	1,572,224	192,970	210,226		
	9/17/2013	1,629,424	435,070	390,442		
	9/20/2013	1,762,723	194,807	303,831		
	9/24/2013	1,716,384	216,669	296,653		
	9/27/2013	1,964,425	711,016	426,340		

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MEGA MILLIONS  
Texas Draw Activity  
From 04/02/2013 To 03/31/2014

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
MD	10/01/2013	2,022,692	218,254	308,623		
	10/04/2013	1,008,706	117,178	180,796		
	10/08/2013	882,129	139,301	146,230		
	10/11/2013	990,858	348,108	210,081		
	10/15/2013	913,480	348,614	172,467		
	10/18/2013	1,018,192	97,056	134,340		
	10/22/2013	932,628	110,971	217,568		
	10/25/2013	1,049,326	127,359	128,561		
	10/29/2013	1,015,866	128,799	124,912		
	11/01/2013	1,148,339	2,129,282	335,441		
	11/05/2013	1,178,423	126,468	131,389		
	11/08/2013	1,378,696	160,851	267,194		
	11/12/2013	1,429,105	165,779	284,395		
	11/15/2013	1,550,272	176,075	286,796		
	11/19/2013	1,660,406	192,657	410,669		
	11/22/2013	1,875,517	225,495	344,626		
	11/26/2013	2,207,755	1,256,774	685,892		
	11/29/2013	2,420,852	278,757	284,780		
	12/03/2013	2,833,175	344,374	341,279		
	12/06/2013	2,907,675	349,515	694,764		
	12/10/2013	4,266,444	512,540	922,805		
	12/13/2013	11,000,919	1,339,967	1,933,069		
CA/GA	12/17/2013	25,780,477	4,402,277	5,057,709		
	12/20/2013	1,206,935	1,146,774	372,668		
	12/24/2013	1,250,807	144,229	249,497		
	12/27/2013	1,097,108	132,624	248,645		
	12/31/2013	1,411,939	169,820	287,114		
PB	1/03/2014	1,258,801	146,015	153,600		
	1/07/2014	1,001,743	114,863	233,514		
	1/10/2014	1,084,865	128,307	130,969		
	1/14/2014	1,026,724	123,529	237,310		
	1/17/2014	1,122,635	1,163,196	383,439		
	1/21/2014	1,055,394	128,589	248,866		
	1/24/2014	1,088,577	133,564	126,353		
	1/28/2014	1,062,379	120,957	120,687		
	1/31/2014	1,276,712	176,220	170,338		
	2/04/2014	1,235,861	149,303	142,897		
	2/07/2014	1,352,427	156,653	162,271		
	2/11/2014	1,421,178	150,556	158,246		
	2/14/2014	1,595,016	185,274	311,447		
	2/18/2014	1,865,528	219,367	209,884		
	2/21/2014	1,969,100	248,003	363,343		
	2/25/2014	1,911,417	240,058	356,832		
	2/28/2014	2,276,170	260,103	367,931		
	3/04/2014					
	3/07/2014					
	3/11/2014					
	3/14/2014					
MD/PB	3/18/2014					
	3/21/2014					
NY	3/25/2014					
	3/28/2014					
* Totals *		164,500,809	30,264,473	30,217,141		

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FIN76/VLTPRD

MEGA MILLIONS  
Fixed Prize Analysis  
From 04/02/2013 To 03/31/2014

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	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
California					
Georgia	1,056,767	24,976,684	23,379,254	3,456,956	802,759-
Illinois	178,371-	25,394,550	26,102,914	984,868-	98,133
Massachusetts	609,792-	15,963,974	14,676,889	227,536	449,757
Maryland	306,820	19,988,782	17,728,887	2,228,751	337,964
Michigan	275,299-	24,257,563	25,336,896	434,025-	920,607-
New Jersey	785,471-	34,676,724	37,719,129	2,266,828-	1,561,048-
New York	566,951	70,719,759	72,565,781	1,491,008-	211,937
Ohio	244,303	25,513,945	22,663,489	1,890,426	1,204,333
POWER BALL					
Texas	14,343	30,264,473	30,217,141	61,675	
Virginia	229,632-	18,060,119	20,021,894	2,519,477-	328,070
Washington State	110,619-	10,149,704	9,554,003	169,138-	654,220
<b>** Totals **</b>		<b>299,966,277</b>	<b>299,966,277</b>		