

TEXAS LOTTERY COMMISSION

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

MARCH 31, 2013

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, 2012 – March 31, 2013 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, 2012 to March 31, 2013 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, 2012 – March 31, 2013.

Finding – We randomly selected the following dates: September 21, 2012, November 27, 2012, December 7, 2012, February 19, 2013 and February 26, 2013.

- 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 August 2011 and November 2011 Expired Prize Settlement ("EPS") reports prepared by the Virginia Lottery on September 12, 2012 and December 10, 2012 and agreed the Commission's ICS data to the data reported from the Virginia Lottery with the following exceptions:

Unclaimed prizes for the August 2, 2011 draw date were reported as \$25,038 and \$24,825 by the ICS and EPS reports, respectively. Unclaimed prizes for the August 30, 2011 draw date were reported as \$15,977 and \$15,732 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 noted no amounts were listed in the "Cash Options Amounts" column of the "Draw Activity" report attached as Exhibit I; therefore, the procedure is not applicable and was not performed.

- 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, 2013 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, 2013 and ensure they are in agreement.

Finding – We agreed the balances listed as the Commission's receivable as of March 31, 2013 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, 2013 without exception.

We were not engaged to, and did not conduct on 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 28, 2013

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MEGA MILLIONS
Texas Draw Activity
From 04/03/2012 To 03/31/2013

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	4/03/2012	1,388,505	375,696	166,315		
	4/06/2012	1,471,430	196,635	250,912		
	4/10/2012	1,317,661	230,693	264,603		
	4/13/2012	1,610,255	180,458	272,049		
	4/17/2012	1,396,923	213,497	329,906		
	4/20/2012	1,587,624	192,408	281,844		
	4/24/2012	1,457,484	427,100	227,031		
	4/27/2012	1,678,249	176,039	331,507		
IL	5/01/2012	1,815,541	193,937	289,906		
	5/04/2012	2,008,059	228,892	357,283		
	5/08/2012	1,100,320	377,974	284,640		
	5/11/2012	1,209,849	425,259	251,147		
CA	5/15/2012	1,137,606	172,674	301,261		
	5/18/2012	1,178,707	140,158	163,473		
	5/22/2012	1,057,087	152,676	120,732		
	5/25/2012	1,203,294	159,655	195,845		
CA	5/29/2012	1,020,538	128,261	169,580		
	6/01/2012	1,129,517	107,003	167,840		
	6/05/2012	1,018,916	102,508	104,867		
	6/08/2012	1,141,087	151,111	161,604		
	6/12/2012	1,049,840	122,315	119,728		
	6/15/2012	1,216,213	676,474	262,284		
	6/19/2012	1,151,044	125,843	222,542		
	6/22/2012	1,302,342	167,278	280,897		
	6/26/2012	1,248,177	383,955	233,271		
	6/29/2012	1,448,133	133,558	165,598		
NY	7/03/2012	1,450,958	173,223	214,715		
	7/06/2012	1,058,274	136,595	228,624		
	7/10/2012	960,479	119,896	327,452		
	7/13/2012	1,143,559	143,427	218,236		
	7/17/2012	1,037,321	134,129	129,279		
	7/20/2012	1,152,633	133,491	126,551		
	7/24/2012	1,078,251	118,140	148,316		
CA	7/27/2012	1,212,635	192,790	300,233		
	7/31/2012	921,621	90,784	106,840		
	8/03/2012	1,044,742	129,269	174,643		
	8/07/2012	965,796	119,103	110,330		
	8/10/2012	1,098,284	117,432	180,424		
	8/14/2012	1,051,965	107,350	125,653		
	8/17/2012	1,292,595	151,057	230,551		
	8/21/2012	1,171,660	142,456	285,639		
	8/24/2012	1,327,287	153,440	195,498		
	8/28/2012	1,263,313	380,435	235,263		
	8/31/2012	1,485,794	140,461	227,273		
	9/04/2012	1,346,921	414,137	204,294		
	9/07/2012	1,742,261	434,894	234,132		
CA	9/11/2012	1,713,722	226,729	304,067		
	9/14/2012	1,062,092	165,919	145,038		
NY	9/18/2012	923,162	98,819	182,334		
	9/21/2012	968,780	89,374	171,290		
	9/25/2012	879,290	135,389	179,603		
	9/28/2012	1,015,567	125,451	145,812		

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MEGA MILLIONS
Texas Draw Activity
From 04/03/2012 To 03/31/2013

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	10/02/2012	953,589	109,868	136,953		
	10/05/2012	1,083,398	395,171	227,773		
	10/09/2012	1,005,471	111,026	208,443		
	10/12/2012	1,148,295	123,327	247,459		
CA/MA	10/16/2012	1,080,457	104,743	119,030		
	10/19/2012	932,510	116,424	129,703		
	10/23/2012	837,068	337,865	107,457		
	10/26/2012	943,464	122,272	181,765		
	10/30/2012	882,281	88,961	189,394		
NY	11/02/2012	1,053,573	367,786	217,688		
	11/06/2012	857,794	114,472	186,466		
	11/09/2012	932,554	109,601	245,128		
	11/13/2012	850,649	82,972	164,173		
	11/16/2012	982,360	380,353	164,946		
	11/20/2012	951,155	130,426	157,829		
	11/23/2012	999,007	114,532	138,351		
GA	11/27/2012	1,319,077	147,206	262,706		
	11/30/2012	1,089,819	380,256	186,500		
	12/04/2012	891,062	101,886	181,234		
	12/07/2012	981,515	125,585	208,906		
	12/11/2012	906,016	87,451	95,846		
CA	12/14/2012	1,044,468	109,640	132,893		
	12/18/2012	842,414	145,721	259,543		
	12/21/2012	922,319	94,656	123,969		
	12/25/2012	751,898	89,051	91,222		
	12/28/2012	935,989	87,165	199,630		
	1/01/2013	852,150	359,513	241,412		
	1/04/2013	997,600	93,493	105,643		
	1/08/2013	942,886	109,959	148,046		
	1/11/2013	1,081,191	121,391	138,165		
	1/15/2013	1,026,391	135,546	192,384		
	1/18/2013	1,179,562	370,680	284,391		
	1/22/2013	1,138,578	155,949	177,377		
NJ	1/25/2013	1,256,161	152,128	217,054		
	1/29/2013	819,072	95,755	126,745		
	2/01/2013	919,404	109,403	155,615		
MI	2/05/2013	868,313	397,630	151,977		
	2/08/2013	910,446	100,249	157,707		
	2/12/2013	841,518	108,544	97,366		
	2/15/2013	936,259	87,224	143,906		
MD	2/19/2013	883,550	363,201	213,331		
	2/22/2013	886,660	91,013	121,161		
	2/26/2013	819,968	394,942	147,261		
	3/01/2013	964,561	343,580	156,851		
	3/05/2013	905,387	83,787	112,656		
	3/08/2013	1,000,701	115,187	116,164		
OH	3/12/2013	928,730	128,847	182,159		
	3/15/2013	882,498	379,465	153,193		
	3/19/2013	817,818	91,808	181,751		
	3/22/2013	959,476	88,258	146,283		
	3/26/2013	894,630	83,470	139,398		
	3/29/2013	1,036,800	107,857	248,889		
* Totals *		114,641,875	19,163,542	19,930,647		

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MEGA MILLIONS
Fixed Prize Analysis
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	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
California					
Georgia	1,769,503-	16,995,550	15,492,989	1,323,709-	1,056,767
Illinois	1,507,666	19,850,309	17,711,165	3,825,181	178,371-
Massachusetts	1,085,792	8,771,156	9,128,297	1,338,443	609,792-
Maryland	806,417-	12,592,702	11,757,950	278,485-	306,820
Michigan	41,249-	16,558,336	17,093,337	300,951-	275,299-
New Jersey	1,456,392-	19,961,608	21,713,024	2,422,337-	785,471-
New York	142,079	42,831,299	43,090,808	684,381-	566,951
Ohio	179,562	15,989,409	16,192,632	267,964-	244,303
POWER BALL					
Texas	427,018	19,163,542	19,930,647	354,430-	14,343
Virginia	3,620	14,269,706	14,372,013	130,945	229,632-
Washington State	727,824	5,098,699	5,599,454	337,688	110,619-
** Totals **		192,082,316	192,082,316		