

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 Powerball's 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: July 11, 2012, September 19, 2012, December 19, 2012, March 6, 2013, and March 30, 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 Powerball 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 Powerball 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 Powerball 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 May 2011 and December 2011 Expired Prize Settlement ("EPS") reports prepared by the Virginia Lottery on August 7, 2012 and January 9, 2013 and agreed the Commission's ICS data to the data reported from the Virginia Lottery without exception.

- 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 Powerball 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 Powerball Prize Settlement Report as of March 31, 2013 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 28, 2013

Exhibit I

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POWER BALL
Texas Draw Activity
From 04/04/2012 To 03/31/2013

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	4/04/2012	1,329,652	95,432	348,163		
	4/07/2012	1,455,900	170,569	878,980		
	4/11/2012	1,423,512	99,868	116,131		
	4/14/2012	1,837,830	146,137	155,444		
	4/18/2012	1,741,310	136,317	132,573		
	4/21/2012	1,988,880	143,396	156,554		
PB	4/25/2012	1,991,298	166,499	163,891		
	4/28/2012	1,245,182	91,279	222,185		
	5/02/2012	1,075,862	78,818	84,768		
	5/05/2012	1,212,678	91,709	227,844		
	5/09/2012	1,148,126	83,443	207,048		
	5/12/2012	1,334,310	94,097	340,075		
	5/16/2012	1,326,866	124,696	244,719		
	5/19/2012	1,770,970	1,167,035	266,167		
	5/23/2012	1,721,994	134,860	249,384		
	5/26/2012	1,995,654	1,150,892	544,713		
	5/30/2012	1,899,916	170,106	285,396		
	6/02/2012	2,380,168	198,912	328,394		
	6/06/2012	2,369,556	187,324	188,968		
	6/09/2012	2,875,480	243,903	464,152		
PB	6/13/2012	3,078,078	289,736	372,660		
	6/16/2012	1,345,758	114,879	382,355		
	6/20/2012	1,192,168	1,098,589	229,010		
PB	6/23/2012	1,356,034	109,417	106,350		
	6/27/2012	1,059,190	86,794	83,929		
	6/30/2012	1,240,362	122,630	105,829		
	7/04/2012	1,087,668	116,056	91,253		
	7/07/2012	1,372,176	104,069	511,947		
	7/11/2012	1,314,530	117,194	358,880		
	7/14/2012	1,543,786	132,001	385,195		
	7/18/2012	1,686,410	1,145,441	504,281		
	7/21/2012	1,823,622	133,770	260,242		
	7/25/2012	1,811,102	178,616	257,926		
	7/28/2012	2,005,516	167,948	294,059		
	8/01/2012	2,287,052	178,724	408,610		
	8/04/2012	2,726,308	251,636	472,046		
	8/08/2012	3,184,834	357,262	1,472,243		
	8/11/2012	3,990,602	318,089	421,573		
MI	8/15/2012	8,390,074	677,997	890,819		
	8/18/2012	1,256,832	106,635	356,936		
	8/22/2012	1,178,852	96,773	345,047		
	8/25/2012	1,350,010	108,080	388,520		
	8/29/2012	1,234,204	89,403	92,930		
	9/01/2012	1,495,336	113,144	126,325		
	9/05/2012	1,334,040	101,585	103,935		
	9/08/2012	1,704,306	137,977	139,988		
	9/12/2012	1,539,470	142,598	355,464		
	9/15/2012	1,877,580	1,142,670	481,385		
	9/19/2012	1,894,924	158,290	173,357		
	9/22/2012	2,243,868	1,206,999	497,128		
PB	9/26/2012	2,589,650	225,828	596,484		
	9/29/2012	1,228,482	1,102,449	585,383		

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POWER BALL
Texas Draw Activity
From 04/04/2012 To 03/31/2013

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
PB	10/03/2012	1,137,758	95,722	205,152		
	10/06/2012	1,159,170	111,054	102,498		
	10/10/2012	1,057,800	75,345	82,214		
	10/13/2012	1,215,852	107,603	109,045		
	10/17/2012	1,123,770	1,137,152	231,827		
	10/20/2012	1,355,472	124,691	350,760		
	10/24/2012	1,289,010	109,263	105,743		
	10/27/2012	1,636,378	133,758	133,286		
	10/31/2012	1,565,520	157,385	130,683		
	11/03/2012	1,905,084	152,657	524,222		
	11/07/2012	1,923,902	146,828	149,000		
	11/10/2012	2,333,974	1,185,747	508,449		
	11/14/2012	2,450,712	200,361	314,493		
	11/17/2012	3,189,078	2,282,114	764,580		
	11/21/2012	3,731,536	1,287,983	581,009		
	11/24/2012	7,022,888	1,557,183	1,345,837		
PB	11/28/2012	41,731,556	7,535,909	8,546,659		
	12/01/2012	1,470,996	1,113,423	388,710		
PB	12/05/2012	1,452,648	137,968	269,960		
	12/08/2012	1,443,610	149,019	257,416		
MA	12/12/2012	1,489,428	128,825	247,469		
	12/15/2012	1,358,168	107,747	372,635		
PB	12/19/2012	1,310,364	125,899	256,200		
	12/22/2012	1,359,644	128,031	636,097		
PB	12/26/2012	1,154,588	1,094,937	351,498		
	12/29/2012	1,293,822	89,355	99,357		
	1/02/2013	1,165,850	85,368	88,480		
	1/05/2013	1,335,204	108,760	362,701		
	1/09/2013	1,256,256	93,557	99,862		
	1/12/2013	1,507,588	124,862	398,357		
	1/16/2013	1,425,492	113,354	122,772		
	1/19/2013	1,897,166	1,167,894	285,446		
	1/23/2013	1,763,586	157,804	153,184		
	1/26/2013	2,047,724	1,177,156	283,505		
	1/30/2013	2,219,444	158,611	391,794		
	2/02/2013	2,806,832	1,253,573	768,835		
VA	2/06/2013	3,373,414	282,856	581,614		
	2/09/2013	1,453,594	155,074	394,970		
	2/13/2013	1,275,248	118,782	235,269		
	2/16/2013	1,489,104	107,651	235,497		
	2/20/2013	1,403,684	113,626	125,589		
	2/23/2013	1,670,938	1,147,392	646,772		
	2/27/2013	1,651,984	1,134,156	380,658		
	3/02/2013	2,185,372	157,499	172,126		
	3/06/2013	2,198,644	202,829	402,755		
	3/09/2013	2,533,318	189,927	318,041		
	3/13/2013	2,690,636	236,067	219,634		
	3/16/2013	3,359,040	1,287,911	1,278,311		
	3/20/2013	4,181,590	311,296	447,866		
NJ	3/23/2013	8,027,762	636,165	1,164,359		
	3/27/2013	1,209,840	95,267	93,401		
IL	3/30/2013	1,528,384	114,852	253,011		
* Totals *		243,368,390	45,416,819	44,427,246		

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POWER BALL
Fixed Prize Analysis
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	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
Georgia	676,501-	22,683,172	27,360,130	5,140,201-	213,258-
Illinois	730,628-	37,755,340	36,460,470	1,621,213-	2,185,455
Massachusetts	415,760-	20,408,157	22,178,520	987,325-	1,198,798-
Maryland	437,948-	17,300,295	20,304,880	4,497,112-	1,054,579
Michigan	470,660	22,283,100	26,742,798	2,590,585-	1,398,453-
New Jersey	218,920	48,826,403	45,361,228	3,118,190	565,905
New York	386,175-	89,246,331	86,974,838	4,233,107	2,347,789-
Ohio	457,885-	23,319,459	24,587,306	3,553,700-	1,827,968
POWER BALL					
Texas	112,705	45,416,819	44,427,246	2,005,416	903,138-
Virginia	1,557,967	26,887,578	21,499,239	5,922,578	1,023,728
Washington State	744,645	13,154,958	11,384,957	3,110,845	596,199-
** Totals **		367,281,612	367,281,612		