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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Texas Lottery Commission and Mega Millions Member Lotteries  
Austin, Texas

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 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:

1. Obtain from the Texas Lottery Commission the "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2011 through March 31, 2012 and attach those as Exhibits I and II, respectively. Prove the mathematical accuracy of the schedules and note any exceptions.

*Finding* – No exceptions were noted.

2. Randomly select five (5) draw dates from the period April 1, 2011 through March 31, 2012.

*Finding* – The following dates were selected for testing: April 1, 2011; June 21, 2011; September 9, 2011; January 17, 2012; and March 23, 2012.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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3. For each draw date selected in step “2” 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* – No exceptions were noted.

4. Calculate the total dollar amount of the fixed prizes for the draw dates selected in step “2” 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* – No exceptions were noted.

5. For each draw date selected in step “2” 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* – No exceptions were noted.

6. 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 ICS 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* – May 2011 and February 2012 Expired Prize Settlement (“EPS”) reports were selected for examination. There were two instances whereby unclaimed prizes per the Texas Lottery Commission ICS did not agree to the amounts reported by the EPS reports distributed by the Virginia Lottery.

Unclaimed prizes for the May 25, 2010 draw date were reported as \$21,472 and \$21,451 by the ICS and EPS reports, respectively. Unclaimed prizes for the February 11, 2011 draw date were reported as \$19,473 and \$19,267 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 difference is due to internal processes that do not affect the ICS purging of prizes.

7. 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* – No exceptions were noted.

8. 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* – Since the annual payment option was selected, the amount listed in the “Cash Options Amount” column of the “Draw Activity” report agreed to the payment to the broker plus the funds disbursed to the prize winner for the initial cash payment.

9. For each purchase (if any) of investments associated with the jackpot prizes:
  - i. Review broker confirmations to verify that investments are funded in accordance with allowed investment vehicles per the multi-state rules, regulations or procedures.
  - ii. 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.
  - iii. 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.
  - iv. 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* – No exceptions were noted except that the records and activity detailed in step 9(iii) equaled the amount listed in the “Cash Options Amount” column of the “Draw Activity” report.

10. 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* – No exceptions were noted.

11. Compare the balance listed as the Texas Lottery Commission's receivable as of March 31, 2012 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, 2012 and ensure they are in agreement.

*Finding* – The Commission's financial accounting records agreed to the receivable balance as shown on the "Fixed Prize Analysis" report and the Mega Millions Prize Settlement Report as of March 31, 2012 after taking into consideration a timing difference, which resulted from the April 2012 posting of the final draw activity for the period.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Commission's 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 information and use of the specified parties and is not intended to be and should not be used by anyone other than those specified parties.

Maxwell Socha + Ritter LLP

July 31, 2012

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount	<b>EXHIBIT I</b>
	4/01/2011	1,353,784	395,992	225,798			
	4/05/2011	1,290,237	151,315	229,640			
	4/08/2011	1,518,014	406,016	267,667			
	4/12/2011	1,441,924	209,800	268,024			
NY	4/15/2011	1,675,114	199,279	254,297			
	4/19/2011	1,137,441	105,358	164,955			
	4/22/2011	1,265,480	387,280	240,629			
	4/26/2011	1,185,701	111,750	201,580			
CA	4/29/2011	1,417,430	172,837	231,940			
	5/03/2011	1,382,199	137,849	229,924			
	5/06/2011	1,198,250	158,633	243,040			
	5/10/2011	1,091,234	114,804	111,821			
MI	5/13/2011	1,274,758	144,590	267,936			
	5/17/2011	1,034,814	142,731	151,332			
	5/20/2011	1,152,865	111,660	160,603			
	5/24/2011	1,069,916	137,191	148,503			
TX	5/27/2011	1,225,011	170,209	248,978		22,816,167.00	
	5/31/2011	939,305	112,695	104,062			
	6/03/2011	1,138,548	119,263	172,159			
	6/07/2011	1,064,618	128,416	177,174			
	6/10/2011	1,240,389	172,342	264,812			
	6/14/2011	1,198,522	143,785	262,246			
	6/17/2011	1,406,587	195,374	189,937			
	6/21/2011	1,377,964	158,254	277,103			
	6/24/2011	1,598,691	432,543	231,490			
	6/28/2011	1,574,366	209,421	240,227			
VA	7/01/2011	2,100,249	309,240	403,780			
	7/05/2011	987,444	127,128	161,685			
	7/08/2011	1,175,107	132,297	205,004			
	7/12/2011	1,109,340	135,195	198,692			
	7/15/2011	1,281,391	154,593	142,528			
	7/19/2011	1,204,076	175,394	245,539			
	7/22/2011	1,376,650	165,325	137,170			
	7/26/2011	1,332,447	163,638	253,135			
	7/29/2011	1,533,907	436,830	255,001			
OH	8/02/2011	1,504,927	413,852	285,227			
	8/05/2011	1,761,327	245,150	289,093			
	8/09/2011	1,053,504	100,292	117,523			
	8/12/2011	1,143,888	616,336	200,735			
	8/16/2011	1,100,945	116,551	199,006			
MA	8/19/2011	1,262,312	131,358	219,660			
	8/23/2011	987,389	116,576	159,357			
	8/26/2011	1,097,713	111,909	177,509			
	8/30/2011	1,017,993	127,895	123,012			
	9/02/2011	1,213,505	123,455	154,536			
	9/06/2011	1,042,154	119,856	196,049			
	9/09/2011	1,323,427	686,456	286,975			
	9/13/2011	1,291,265	153,265	160,298			
	9/16/2011	1,496,792	428,368	294,770			
	9/20/2011	1,465,912	144,996	227,109			
	9/23/2011	1,716,310	202,041	265,553			
	9/27/2011	1,777,429	439,111	360,350			

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
CA/PB	9/30/2011	2,286,597	778,501	456,784		
	10/04/2011	1,043,698	361,077	169,408		
	10/07/2011	1,158,366	410,724	238,208		
	10/11/2011	1,051,838	124,267	142,902		
	10/14/2011	1,208,302	123,193	212,968		
	10/18/2011	1,122,140	126,645	161,192		
	10/21/2011	1,265,960	158,062	221,112		
	10/25/2011	1,216,052	139,656	192,001		
	10/28/2011	1,364,171	137,251	280,837		
CA	11/01/2011	1,410,904	391,834	259,961		
	11/04/2011	1,110,545	127,335	197,331		
	11/08/2011	989,774	107,353	186,366		
	11/11/2011	1,378,016	171,060	279,028		
	11/15/2011	1,074,462	134,823	162,508		
	11/18/2011	1,218,091	155,442	169,190		
	11/22/2011	1,178,314	141,053	186,601		
	11/25/2011	1,201,144	152,578	177,558		
	11/29/2011	1,277,221	153,349	222,615		
	12/02/2011	1,511,085	205,509	295,444		
	12/06/2011	1,453,658	424,757	274,595		
	12/09/2011	1,965,470	227,998	364,338		
	12/13/2011	2,017,367	215,026	354,323		
	12/16/2011	2,338,528	795,445	429,439		
	12/20/2011	2,516,419	782,508	432,649		
	12/23/2011	3,102,221	1,151,828	957,630		
NY	12/27/2011	3,298,170	427,096	569,126		
	12/30/2011	1,317,186	142,719	142,762		
	1/03/2012	1,092,455	115,910	196,467		
	1/06/2012	1,237,769	142,764	251,864		
	1/10/2012	1,161,967	124,484	122,872		
	1/13/2012	1,370,190	140,691	158,210		
	1/17/2012	1,263,326	133,707	142,100		
	1/20/2012	1,423,351	179,642	280,182		
GA	1/24/2012	1,376,144	146,632	281,830		
	1/27/2012	1,104,617	380,567	178,793		
	1/31/2012	1,012,696	114,916	181,859		
	2/03/2012	1,188,957	143,136	160,189		
	2/07/2012	1,111,752	122,898	228,542		
	2/10/2012	1,260,463	632,492	292,564		
	2/14/2012	1,231,277	436,288	358,799		
	2/17/2012	1,410,114	418,364	221,491		
	2/21/2012	1,376,022	139,604	169,981		
	2/24/2012	1,571,715	423,103	387,733		
	2/28/2012	1,591,106	184,251	175,200		
	3/02/2012	2,000,714	216,542	375,522		
	3/06/2012	2,102,864	238,528	358,823		
	3/09/2012	2,388,903	320,230	478,577		
	3/13/2012	2,512,653	311,167	434,454		
	3/16/2012	3,137,670	883,979	463,258		
	3/20/2012	3,745,177	1,567,025	1,379,599		
	3/23/2012	5,188,267	912,262	1,133,979		
	3/27/2012	10,482,841	1,672,182	1,924,534		

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
IL/MD/PB	3/30/2012	49,976,339	9,195,255	9,160,872		
* Totals *		213,005,613	38,570,202	38,520,343		

**EXHIBIT II**

	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
California					
Georgia	297,849	24,828,326	27,471,131	575,453-	1,769,503-
Illinois	642,417-	33,081,185	31,500,511	569,409-	1,507,666
Massachusetts	442,122-	18,992,548	17,458,083	6,551	1,085,792
Maryland	106,319-	18,124,803	19,006,802	181,901-	806,417-
Michigan	84,964-	30,336,912	30,136,500	156,697	41,249-
New Jersey	559,600	40,890,668	41,769,925	1,136,735	1,456,392-
New York	431,705	83,111,931	83,210,405	191,152	142,079
Ohio	90,457	29,801,040	29,135,517	576,418	179,562
POWER BALL					
Texas	630,218	38,570,202	38,520,343	253,059	427,018
Virginia	997,905-	22,123,754	23,367,423	2,245,194-	3,620
Washington State	263,898	12,319,107	10,603,836	1,251,345	727,824
<b>** Totals **</b>		<b>352,180,476</b>	<b>352,180,476</b>		