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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 Powerball 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 although the reports attached as Exhibits I and II detail the activity beginning April 2, 2011 through March 31, 2012, since April 2, 2011 was the first draw date of the period.

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: May 28, 2011; August 20, 2011; November 5, 2011; January 4, 2012; and February 29, 2012.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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 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* – 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 Powerball 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* – July 2011 and October 2011 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 July 21, 2010 draw date were reported as \$15,329 and \$15,145 by the ICS and EPS reports, respectively. Unclaimed prizes for the October 13, 2010 draw date were reported as \$10,713 and \$10,644 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* – This step was not performed as there were no Texas jackpot winners for the period April 2, 2011 through March 31, 2012.

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* – These steps were not performed as there were no Texas jackpot winners for the period April 2, 2011 through March 31, 2012.

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 Powerball 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 Powerball 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	EXHIBIT I
	4/02/2011	1,785,641	262,020	284,891			
PB	4/06/2011	2,311,643	318,885	419,354			
	4/09/2011	1,062,072	130,738	167,858			
	4/13/2011	938,076	117,002	147,109			
	4/16/2011	1,009,788	148,489	192,748			
	4/20/2011	1,066,475	149,306	196,834			
PB	4/23/2011	1,193,911	180,844	163,425			
	4/27/2011	824,968	121,828	146,174			
	4/30/2011	899,823	131,698	200,553			
	5/04/2011	861,997	119,977	200,541			
	5/07/2011	1,025,583	334,528	161,443			
	5/11/2011	1,024,611	122,821	154,978			
	5/14/2011	1,194,644	163,880	303,829			
	5/18/2011	1,259,344	383,602	272,842			
	5/21/2011	1,515,830	207,716	238,454			
	5/25/2011	1,647,372	218,475	252,135			
	5/28/2011	1,897,362	441,851	324,421			
NY	6/01/2011	2,354,850	318,233	431,373			
	6/04/2011	965,175	146,889	149,765			
MA	6/08/2011	830,050	96,111	155,503			
	6/11/2011	843,109	106,001	142,092			
	6/15/2011	769,735	99,574	98,044			
	6/18/2011	892,989	130,388	175,006			
	6/22/2011	852,550	104,690	140,981			
	6/25/2011	1,008,838	350,308	190,131			
GA	6/29/2011	967,130	119,971	123,334			
	7/02/2011	856,273	101,455	121,357			
	7/06/2011	744,474	100,985	101,514			
	7/09/2011	899,255	139,752	254,160			
	7/13/2011	868,956	128,644	145,779			
	7/16/2011	1,033,315	146,516	165,568			
	7/20/2011	1,009,079	142,735	184,161			
	7/23/2011	1,206,250	168,115	213,554			
	7/27/2011	1,417,580	179,817	224,418			
	7/30/2011	1,645,637	221,612	234,059			
	8/03/2011	1,777,233	258,764	376,568			
	8/06/2011	2,133,229	284,883	386,067			
PB	8/10/2011	2,841,344	591,375	456,615			
	8/13/2011	942,782	114,087	123,745			
	8/17/2011	809,658	88,847	121,109			
	8/20/2011	950,803	134,272	149,750			
	8/24/2011	930,350	126,670	167,655			
	8/27/2011	1,102,151	145,045	168,051			
	8/31/2011	1,061,647	123,834	182,710			
	9/03/2011	1,335,837	182,592	289,275			
MD	9/07/2011	1,419,913	209,383	255,968			
	9/10/2011	878,692	108,933	123,582			
GA	9/14/2011	751,427	89,043	99,359			
	9/17/2011	819,326	105,495	190,461			
	9/21/2011	727,297	103,078	149,338			
	9/24/2011	841,696	107,376	193,626			
	9/28/2011	760,339	111,177	99,652			

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	10/01/2011	931,458	339,333	155,609		
	10/05/2011	932,002	313,738	149,181		
	10/08/2011	1,166,413	407,214	205,260		
	10/12/2011	1,110,189	385,345	273,562		
	10/15/2011	1,499,195	396,226	337,312		
	10/19/2011	1,603,084	391,123	225,449		
	10/22/2011	1,871,157	682,509	371,344		
	10/26/2011	2,167,209	670,497	391,665		
	10/29/2011	2,718,894	354,591	435,641		
PB	11/02/2011	3,663,896	485,875	729,065		
	11/05/2011	979,833	134,326	151,667		
	11/09/2011	855,850	132,512	111,115		
	11/12/2011	1,053,634	137,403	236,889		
	11/16/2011	956,280	117,933	231,557		
PB	11/19/2011	1,112,480	209,423	209,302		
	11/23/2011	794,201	115,279	126,309		
	11/26/2011	782,942	99,324	97,100		
	11/30/2011	789,149	126,108	157,322		
	12/03/2011	930,888	115,599	125,039		
	12/07/2011	842,571	103,944	131,300		
	12/10/2011	1,002,316	324,476	181,335		
	12/14/2011	972,412	326,465	174,012		
	12/17/2011	1,187,935	349,932	220,313		
	12/21/2011	1,277,181	180,927	175,081		
MD	12/24/2011	1,660,411	236,613	286,182		
	12/28/2011	771,649	123,806	135,534		
	12/31/2011	1,055,783	146,528	160,554		
	1/04/2012	820,343	115,032	129,015		
	1/07/2012	982,134	533,686	189,064		
	1/11/2012	914,822	134,332	147,181		
	1/14/2012	1,078,782	152,618	208,317		
	1/18/2012	1,533,030	109,929	118,515		
	1/21/2012	1,987,140	197,204	171,352		
	1/25/2012	1,902,474	159,087	278,770		
	1/28/2012	2,389,584	202,641	323,103		
	2/01/2012	2,661,836	1,223,280	342,367		
	2/04/2012	3,495,528	314,290	402,945		
	2/08/2012	4,480,876	353,294	580,210		
PB	2/11/2012	7,929,810	685,826	877,456		
	2/15/2012	1,735,716	149,284	297,159		
	2/18/2012	2,037,718	160,602	623,225		
	2/22/2012	1,645,728	120,581	262,380		
NY	2/25/2012	1,927,400	156,482	593,447		
	2/29/2012	1,414,198	1,134,224	415,730		
	3/03/2012	1,651,458	140,076	414,773		
PB	3/07/2012	1,443,898	107,420	115,160		
	3/10/2012	1,502,742	149,706	268,768		
	3/14/2012	1,258,298	91,738	221,402		
	3/17/2012	1,476,314	117,238	116,722		
NJ	3/21/2012	1,307,148	103,924	106,555		
	3/24/2012	1,345,736	101,463	109,870		
	3/28/2012	1,295,408	1,116,499	230,583		

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
3/31/2012	1,618,592	155,154	386,680		
* Totals *	147,293,834	24,632,969	24,727,367		

**EXHIBIT II**

	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
Georgia	547,158	17,194,986	16,200,967	2,217,678	676,501-
Illinois	164,421-	23,003,572	20,742,621	2,827,158	730,628-
Massachusetts	610,394-	10,497,565	12,040,216	1,737,285-	415,760-
Maryland	200,714	10,431,540	12,011,677	941,475-	437,948-
Michigan	189,701-	14,753,868	15,978,676	1,885,169-	470,660
New Jersey	122,517-	25,984,716	26,958,401	1,315,122-	218,920
New York	257,577	49,051,243	47,817,453	1,877,542	386,175-
Ohio	253,212-	14,072,587	14,318,729	41,469-	457,885-
POWER BALL					
Texas	40,349	24,632,969	24,727,367	166,754-	112,705
Virginia	336,568	12,576,849	12,563,982	1,208,532-	1,557,967
Washington State	42,121-	7,727,624	6,567,430	373,428	744,645
<b>** Totals **</b>		<b>209,927,519</b>	<b>209,927,519</b>		