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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 January 31, 2010 through March 31, 2011 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 February 3, 2010 through March 31, 2011, since February 3, 2010 was the first draw date of the period.

2. Randomly select seven (7) draw dates from the period January 31, 2010 through March 31, 2011.

*Finding* – The following dates were selected for testing: February 3, 2010; March 24, 2010; July 10, 2010; August 28, 2010; October 6, 2010; December 25, 2010; and January 12, 2011.

Affiliated Companies

ML&R PERSONNEL SOLUTIONS LLC

*"The Resource for Direct Hire & Project Staffing"*

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 the 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* – February 2011 and March 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 March 3, 2010 draw date were reported as \$15,666 and \$15,618 by the Texas Lottery Commission ICS and EPS reports, respectively. Unclaimed prizes for the March 6, 2010 draw date were reported as \$16,516 and \$16,512 by the Texas Lottery Commission 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 “Cost of the Jackpot Prizes” column of the “Draw Activity Supplement” report attached as Exhibit III, obtain and compare the “cost of the jackpot prize” amount to the Texas Lottery Commission’s cash disbursement subsidiary records which summarize the funds disbursed to the prize winner and/or the broker from which the jackpot annuities were purchased and verify agreement.

*Finding* – This step was not performed as there were no Texas jackpot winners for the period February 3, 2010 through March 31, 2011. In addition, a Draw Activity Supplement report is not available to attach as Exhibit III.

*Commission’s response* – Management agrees. As noted, the step could not be performed because there were no Texas jackpot winners during the review period. Further, the report referenced in this step does not exist at this time.

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. 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 February 3, 2010 through March 31, 2011.

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, 2011 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, 2011 and ensure they are in agreement.

*Finding* – No exceptions were noted.

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 Locke + Ritter LLP*

August 29, 2011

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount	EXHIBIT I
PB	2/03/2010	1,398,136	172,211	184,377			
	2/06/2010	1,156,165	375,132	228,948			
	2/10/2010	758,545	88,634	142,259			
	2/13/2010	697,818	83,843	114,752			
	2/17/2010	692,147	307,708	143,931			
	2/20/2010	737,898	294,978	111,754			
	2/24/2010	703,706	83,531	92,482			
	2/27/2010	785,284	91,704	101,894			
	3/03/2010	830,016	309,607	147,714			
	3/06/2010	903,322	116,755	151,736			
NJ	3/10/2010	1,014,050	520,317	158,965			
	3/13/2010	1,272,392	187,323	216,348			
	3/17/2010	605,994	72,154	97,915			
	3/20/2010	627,873	78,291	98,795			
	3/24/2010	614,605	280,441	139,535			
	3/27/2010	688,295	85,811	92,372			
	3/31/2010	705,941	85,637	115,579			
	4/03/2010	889,675	107,625	157,144			
	4/07/2010	941,380	132,518	141,300			
	4/10/2010	1,115,932	135,877	195,351			
PB	4/14/2010	1,185,937	158,895	240,440			
	4/17/2010	1,562,050	218,069	227,795			
	4/21/2010	2,024,619	268,898	375,543			
	4/24/2010	738,221	298,972	161,982			
	4/28/2010	686,947	109,054	144,154			
	5/01/2010	812,078	94,609	127,687			
	5/05/2010	774,438	302,398	136,328			
	5/08/2010	815,902	335,845	216,389			
	5/12/2010	880,613	297,878	140,893			
	5/15/2010	1,049,285	168,313	197,738			
OH	5/19/2010	1,120,206	154,710	204,497			
	5/22/2010	1,258,870	146,454	163,753			
	5/26/2010	1,303,035	217,259	284,811			
	5/29/2010	1,612,586	219,715	315,006			
	6/02/2010	1,945,801	483,770	309,931			
	6/05/2010	891,254	321,295	157,614			
	6/09/2010	779,412	100,597	106,898			
	6/12/2010	887,837	106,679	202,306			
	6/16/2010	878,694	129,500	168,533			
	6/19/2010	980,766	141,135	151,225			
OH/PB	6/23/2010	976,979	117,654	173,264			
	6/26/2010	795,692	105,121	103,982			
	6/30/2010	932,067	120,038	121,803			
	7/03/2010	1,216,295	400,110	227,470			
PB	7/07/2010	1,099,835	133,072	173,146			
	7/10/2010	1,176,777	160,582	181,605			
	7/14/2010	888,259	118,442	311,690			
	7/17/2010	895,881	117,945	229,359			
PB	7/21/2010	891,492	138,809	152,272			
	7/24/2010	996,794	127,631	154,319			
	7/28/2010	984,577	151,379	197,071			
	7/31/2010	1,130,668	135,368	141,802			

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
PB	8/04/2010	825,560	95,312	103,080		
	8/07/2010	855,050	334,346	139,165		
	8/11/2010	809,409	110,890	174,828		
	8/14/2010	923,976	117,522	115,072		
	8/18/2010	879,543	107,504	113,190		
	8/21/2010	1,016,639	163,246	398,581		
	8/25/2010	717,496	100,057	125,314		
	8/28/2010	774,396	119,888	117,786		
	9/01/2010	773,870	120,977	179,483		
	9/04/2010	908,543	113,178	146,878		
GA	9/08/2010	832,135	118,739	171,551		
	9/11/2010	989,378	129,345	221,386		
	9/15/2010	1,000,207	123,184	153,727		
	9/18/2010	1,224,999	356,134	182,745		
	9/22/2010	706,277	97,312	137,928		
	9/25/2010	773,291	104,591	109,387		
	9/29/2010	713,047	82,483	110,684		
	10/02/2010	856,982	126,307	118,238		
	10/06/2010	806,837	117,430	130,806		
	10/09/2010	715,550	92,472	88,768		
PB	10/13/2010	617,888	74,627	78,396		
	10/16/2010	720,673	297,943	175,300		
	10/20/2010	661,862	82,552	154,783		
	10/23/2010	774,488	135,548	151,109		
	10/27/2010	742,171	110,651	121,502		
	10/30/2010	871,268	111,251	158,144		
	11/03/2010	1,096,267	160,564	224,770		
	11/06/2010	1,341,295	208,505	243,179		
	11/10/2010	667,685	91,007	127,744		
	11/13/2010	750,456	94,962	118,493		
MI	11/17/2010	704,000	295,268	120,171		
	11/20/2010	838,623	92,892	123,829		
	11/24/2010	837,716	114,495	134,098		
	11/27/2010	830,964	122,061	129,308		
	12/01/2010	936,183	357,918	496,125		
	12/04/2010	736,531	117,517	220,582		
	12/08/2010	623,078	82,174	83,157		
	12/11/2010	733,126	512,999	450,534		
	12/15/2010	608,692	82,592	149,225		
	12/18/2010	690,951	98,292	123,757		
NY	12/22/2010	642,220	89,723	90,267		
	12/25/2010	660,924	79,328	127,620		
	12/29/2010	602,492	76,787	89,287		
	1/01/2011	712,387	100,987	94,529		
	1/05/2011	761,996	108,007	108,668		
	1/08/2011	834,518	306,571	131,558		
	1/12/2011	807,079	148,379	135,735		
	1/15/2011	985,697	142,033	229,920		
	1/19/2011	987,450	109,300	118,751		
	1/22/2011	1,213,140	179,932	247,999		
NY	1/26/2011	646,371	85,092	133,942		
	1/29/2011	723,768	91,124	118,892		

	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
PB	2/02/2011	595,414	77,809	76,622		
	2/05/2011	779,122	92,552	128,932		
	2/09/2011	751,889	113,101	123,476		
	2/12/2011	908,224	126,376	203,589		
	2/16/2011	1,087,140	163,609	154,992		
	2/19/2011	1,282,776	182,898	185,089		
	2/23/2011	1,379,152	160,449	230,907		
	2/26/2011	1,642,207	236,931	296,707		
	3/02/2011	679,001	88,447	108,018		
	3/05/2011	725,986	103,186	127,872		
	3/09/2011	660,078	82,983	133,572		
	3/12/2011	794,459	309,833	133,186		
	3/16/2011	722,095	96,390	113,001		
	3/19/2011	874,370	119,010	167,123		
	3/23/2011	1,026,129	159,891	206,325		
	3/26/2011	1,295,332	579,345	299,203		
	3/30/2011	1,409,889	390,136	213,462		
* Totals *		110,391,448	20,285,237	20,186,504		

**EXHIBIT II**

	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
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Georgia		15,018,981	16,419,679	1,947,856-	547,158
Illinois		19,672,151	18,960,910	875,662	164,421-
Massachusetts		11,643,382	12,850,481	596,705-	610,394-
Maryland		11,388,378	11,819,041	631,377-	200,714
Michigan		14,395,855	15,933,845	1,348,289-	189,701-
New Jersey		27,176,431	26,548,029	750,919	122,517-
New York		44,795,645	40,385,325	4,152,743	257,577
Ohio		12,308,008	12,039,063	522,157	253,212-
POWER BALL					
Texas		20,285,237	20,186,504	58,384	40,349
Virginia		11,847,106	12,543,970	1,033,432-	336,568
Washington State		6,682,053	7,526,380	802,206-	42,121-
** Totals **		195,213,227	195,213,227		