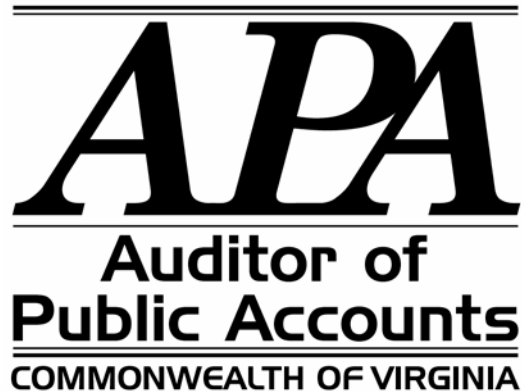


STATE LOTTERY DEPARTMENT

**REPORT ON APPLYING AGREED UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2006 THROUGH MARCH 31, 2007**





Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

July 12, 2007

Members of the Virginia State Lottery Board
900 East Main Street
Richmond, Virginia

Independent Auditor's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Virginia Lottery Department and the other member lotteries in the states of California, Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Texas, and Washington (referred to as the "Member Lotteries"), which operate Mega Millions, solely to assist the Virginia Lottery and Member Lotteries with respect to the evaluation of the following financial information associated with Mega Millions: Virginia Lottery's sales and prize expense for the period April 1, 2006 through March 31, 2007, and the Virginia Lottery's receivable or payable as of March 31, 2007. Virginia Lottery is responsible for its records of the financial information associated with Mega Millions. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of 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.

The procedures that we performed and our findings are as follows:

- A. We obtained from the Virginia Lottery the Mega Millions "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2006 through March 31, 2007, and attached those as Exhibit I and II, respectively. We verified the mathematical accuracy of the schedules.
- B. We randomly selected five Mega Millions drawings from the period April 1, 2006 to March 31, 2007, for testing as indicated in "C", "D", and "E" below.

July 21, 2006
August 15, 2006
October 24, 2006

January 19, 2007
February 27, 2007

- C. For each drawing selected in step “B” above, we compared the total amount of sales as shown on the daily sales report produced by the Virginia Lottery’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 week on the “Draw Activity” report attached as Exhibit I and found them to be in agreement.
- D. We calculated the total dollar amount of the fixed prizes for the drawings selected in step “B” above, based on the total number of winners from the Virginia Lottery’s gaming system for each prize level and the prize structure of Mega Millions’ fixed prizes (as defined in the official game rules). We compared the calculated expense with the amount listed in the “Actual Fixed Prizes” column for the respective drawing on the attached “Draw Activity” report and found them to be in agreement.
- E. For each drawing selected in step “B” above, we compared the amount of sales, actual fixed prizes, and share of fixed prizes shown on the “Draw Activity” report attached as Exhibit 1 to the amounts shown on the applicable Mega Millions Prize Settlement Reports and found them to be in agreement.
- F. For the period identified in step “B” above, we randomly selected two months and obtained the “Expired Prize Settlement Report” distributed by the Virginia Lottery. For the two months selected, we obtained from the Virginia Lottery ICS the actual fixed prizes awarded and the prizes unclaimed. We compared the ICS data back to the data reported from the Virginia Lottery for each draw of the subject months and found them to be in agreement.
- G. The amount shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the “Draw Activity” report were compared to the applicable amounts shown on the “Fixed Prize Analysis” (Exhibit II) and were found to be in agreement.
- H. For each amount (if any) listed in the “Cost of Jackpot Prizes” column on the attached “Draw Activity” report, we compared the “cost of jackpot prize” amount to the Virginia Lottery’s cash disbursement subsidiary records, which summarize the funds disbursed to the prize winner and the broker from which the jackpot annuities were purchased and found them to be in agreement.
- I. For each purchase (if any) of investments associated with jackpot prizes, we obtained:
 - 1) broker confirmations and noted that the investments were properly funded solely through the purchase of 100 percent United States Government STRIP Bonds;
 - 2) the bid sheets and supporting documentation and noted that the investments were purchased properly through a competitive bidding process involving a minimum of three primary brokerage firms; and

- 3) the Security Purchase report, which lists the results of the security purchase and verified that the information reported to the group is accurate, including the annuity factor for the non-winning bidders.
- J. We compared the total of the quarterly transfers to the Virginia Lottery for settlement of the fixed prize liability as shown in the Virginia Lottery's cash disbursement subsidiary records to the amount listed in the "Transfers" column on the "Fixed Prize Analysis" report attached as Exhibit II and found them to be in agreement.
- K. We compared the balance listed as the Virginia Lottery's receivable or payable as of March 31, 2007, for the fixed prizes as shown on the "Fixed Prize Analysis" report attached as Exhibit II to the Virginia Lottery's financial accounting records and to the Mega Millions Prize Settlement Report as of March 31, 2007, and found them to be in agreement.

We were not engaged to, and did not perform an audit or an examination, the objective of which would be the expression of an opinion on the specified financial information associated with Mega Millions. 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 Virginia Lottery and Member Lotteries specified above and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

LCW/clj

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
DRAW ACTIVITY
For the period ending March 31, 2007

EXHIBIT I

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
04/04/06	\$ 1,765,680	\$ 444,570	\$ 275,652	\$ -
04/07/06	2,047,177	433,702	335,266	-
04/11/06	2,212,913	227,003	399,622	-
04/14/06	2,874,479	1,128,980	626,293	-
04/18/06	3,399,195	658,322	689,232	-
04/21/06	1,071,739	175,010	296,933	-
04/25/06	998,475	103,047	148,556	-
04/28/06	1,113,367	129,204	180,871	-
05/02/06	1,129,272	720,432	420,177	-
05/05/06	1,253,270	388,525	202,722	-
05/09/06	1,232,194	150,500	197,393	-
05/12/06	1,371,860	662,132	262,586	-
05/16/06	1,436,521	399,170	277,467	-
05/19/06	992,226	114,638	179,741	-
05/23/06	923,942	109,479	131,865	-
05/26/06	1,028,969	121,824	171,253	-
05/30/06	939,651	105,927	181,776	-
06/02/06	1,121,165	156,038	161,052	-
06/06/06	861,474	119,329	182,338	-
06/09/06	911,643	116,058	128,393	-
06/13/06	891,015	356,460	133,563	-
06/16/06	985,902	113,458	152,508	-
06/20/06	788,398	73,956	101,854	-
06/23/06	846,128	332,188	119,232	-
06/27/06	824,006	107,864	127,068	-
06/30/06	825,875	75,108	108,062	-
07/04/06	688,150	88,637	133,283	-
07/07/06	895,070	93,993	92,775	-
07/11/06	873,629	106,252	148,513	-
07/14/06	986,339	110,429	120,743	-
07/18/06	956,294	91,065	171,399	-
07/21/06	805,926	73,279	157,707	-
07/25/06	773,083	82,240	125,291	-
07/28/06	873,957	108,942	195,328	-
08/01/06	881,991	90,813	114,950	-
08/04/06	802,882	82,813	101,416	-
08/08/06	770,726	155,383	124,126	-
08/11/06	876,657	89,817	167,910	-
08/15/06	881,603	122,170	138,605	-
08/18/06	983,176	125,047	207,587	-
08/22/06	987,725	149,728	211,087	-
08/25/06	1,126,799	107,023	170,211	-
08/29/06	1,160,286	124,627	131,825	-
09/01/06	1,234,133	122,277	184,639	-
09/05/06	1,330,285	390,671	242,050	-
09/08/06	1,763,570	212,114	316,252	-
09/12/06	1,884,751	232,972	306,110	-
09/15/06	2,266,512	509,461	349,012	-
09/19/06	842,670	76,803	100,447	-

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
DRAW ACTIVITY
For the period ending March 31, 2007

EXHIBIT I

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
09/22/06	\$ 871,810	\$ 138,686	\$ 116,275	\$ -
09/26/06	824,129	96,419	165,316	-
09/29/06	878,302	97,945	140,281	-
10/03/06	856,119	92,838	165,553	-
10/06/06	952,021	133,116	200,825	-
10/10/06	932,118	100,382	119,288	-
10/13/06	1,086,721	109,004	194,832	-
10/17/06	1,037,853	352,783	216,216	-
10/20/06	868,028	114,219	133,569	-
10/24/06	810,505	332,250	121,816	-
10/27/06	903,381	109,388	127,614	-
10/31/06	891,702	107,535	183,758	-
11/03/06	1,038,566	372,558	230,952	-
11/07/06	1,029,807	107,946	158,537	-
11/10/06	1,155,730	104,493	170,001	-
11/14/06	1,210,114	395,905	228,627	-
11/17/06	857,700	342,842	135,170	-
11/21/06	806,316	99,322	117,742	-
11/24/06	810,670	82,262	117,257	-
11/28/06	907,189	115,498	158,757	-
12/01/06	1,036,338	103,562	178,945	-
12/05/06	777,343	323,869	121,917	-
12/08/06	831,112	100,856	137,287	-
12/12/06	838,811	89,869	128,109	-
12/15/06	951,655	363,559	185,607	-
12/19/06	967,295	131,971	133,481	-
12/22/06	1,131,835	137,835	228,873	-
12/26/06	1,021,291	146,455	165,099	-
12/29/06	1,297,361	140,858	216,305	-
01/02/07	1,267,326	370,445	219,447	-
01/05/07	1,764,900	185,393	260,875	-
01/09/07	1,812,579	215,753	324,217	-
01/12/07	890,254	351,278	156,291	-
01/16/07	829,266	341,847	198,034	-
01/19/07	943,791	125,640	116,263	-
01/23/07	949,203	118,457	156,642	-
01/26/07	1,073,764	97,537	127,181	-
01/30/07	1,089,840	364,104	155,502	-
02/02/07	1,249,754	130,798	201,818	-
02/06/07	1,223,589	133,543	269,879	-
02/09/07	1,455,620	163,109	265,170	-
02/13/07	1,657,324	196,206	288,221	-
02/16/07	1,930,632	198,668	266,593	-
02/20/07	2,146,012	505,165	282,391	-
02/23/07	2,683,173	305,755	504,853	-
02/27/07	3,437,691	393,058	595,168	-
03/02/07	4,847,481	512,977	681,585	-
03/06/07	9,495,102	1,439,108	1,574,441	-
03/09/07	1,097,746	124,047	197,625	-
03/13/07	1,024,303	134,015	157,993	-
03/16/07	1,108,163	393,367	165,786	-
03/20/07	1,149,237	136,210	205,175	-
03/23/07	1,244,717	865,545	221,649	-
03/27/07	1,253,470	130,525	212,034	-
03/30/07	1,393,659	149,288	256,861	-
Total	\$ 135,093,168	\$ 23,895,543	\$ 22,962,444	\$ -

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
FIXED PRIZE ANALYSIS
For the period ending March 31, 2007

EXHIBIT II

	Balance as of April 1, 2006 Receivable/ (Payable)	Prior Year Settlement Adjustment	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In/(Out)	March 31, 2007 Receivable (Payable)
California	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Georgia	(614,784)	-	32,618,165	31,572,571	1,075,729	(644,919)
Illinois	(176,971)	-	31,865,683	34,635,901	(2,897,434)	(49,755)
Massachusetts	(368,145)	-	19,454,100	20,732,456	(1,591,051)	(55,450)
Maryland	(329,744)	-	16,337,429	17,115,151	(1,052,482)	(54,984)
Michigan	(1,032)	-	35,718,517	35,258,433	739,320	(280,268)
New Jersey	1,198,720	-	42,637,171	42,286,305	1,991,021	(441,435)
New York	857,411	-	79,502,103	79,437,136	(11,188)	933,566
Ohio	(146,428)	-	35,660,536	34,650,421	1,456,540	(592,853)
Texas	(354,410)	-	29,276,639	28,893,888	(466,677)	495,018
Virginia	(149,143)	-	23,895,543	22,962,444	194,504	589,452
Washington	84,526	-	10,533,655	9,954,835	561,718	101,628
Total	\$ -	\$ -	\$ 357,499,541	\$ 357,499,541	\$ -	\$ -