

**STATE LOTTERY DEPARTMENT  
WIN FOR LIFE**

**REPORT ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
APRIL 1, 2009 THROUGH MARCH 31, 2010**





# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

July 15, 2010

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, 2009 through March 31, 2010, and the Virginia Lottery's receivable or payable as of March 31, 2010. 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 attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Virginia Lottery and Member Lotteries. 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 "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2009 through March 31, 2010, 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, 2009 through March 31, 2010, for testing as indicated in "C", "D", and "E" below.

May 5, 2009  
May 22, 2009  
May 29, 2009  
August 14, 2009  
January 26, 2010

- 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 I 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 (June 2009 and December 2009) 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. We compared 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 attached as Exhibit I to the applicable amounts shown on the “Fixed Prize Analysis” report attached as Exhibit II, and found them to be in agreement.
- H. For each amount listed in the “Cost of Jackpot Prizes” column of the “Draw Activity Supplement” report attached as Exhibit III, 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

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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 from 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 "Qtrly/Yrly Settlements Transfers In/(Out)" 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, 2010, 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, 2010, 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

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WIN FOR LIFE  
VIRGINIA LOTTERY DEPARTMENT  
VIRGINIA DRAW ACTIVITY  
From April 1, 2009 through March 31, 2010

Exhibit I

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	WFL Prize Amount (Purchased by VA)
4/1/2009	\$ 294,003	\$ 194,608	\$ 167,578	\$ -
4/4/2009	332,717	130,414	121,403	-
4/8/2009	291,176	76,356	74,126	-
4/11/2009	333,893	118,030	92,426	-
4/15/2009	294,897	82,936	78,804	-
4/18/2009	332,157	88,324	115,390	-
4/22/2009	295,543	125,166	127,845	-
4/25/2009	326,733	80,384	79,611	-
4/29/2009	285,457	59,486	62,557	-
5/2/2009	343,187	66,466	95,668	-
5/6/2009	285,879	61,184	62,107	-
5/9/2009	321,452	77,426	75,571	-
5/13/2009	280,994	76,726	77,397	-
5/16/2009	321,915	76,738	102,188	-
5/20/2009	279,501	66,398	94,196	-
5/23/2009	312,914	68,936	69,462	-
5/27/2009	270,803	125,200	153,305	1,000,000
5/30/2009	318,426	75,616	76,606	-
6/3/2009	281,758	119,148	92,630	-
6/6/2009	317,579	61,672	93,596	-
6/10/2009	277,977	212,222	183,685	1,000,000
6/13/2009	316,317	74,098	74,479	-
6/17/2009	280,726	120,146	95,984	-
6/20/2009	316,641	111,990	131,550	-
6/24/2009	279,901	58,054	60,671	-
6/27/2009	314,284	86,474	81,491	-
7/1/2009	285,676	64,104	65,066	-
7/4/2009	307,065	116,198	107,271	-
7/8/2009	292,053	81,226	80,019	-
7/11/2009	320,189	70,980	102,399	-
7/15/2009	279,740	79,320	105,991	-
7/18/2009	315,772	134,768	135,088	-
7/22/2009	278,413	66,608	66,124	-
7/25/2009	313,328	65,996	67,942	-
7/29/2009	277,371	126,894	102,350	-
8/1/2009	325,859	130,454	103,385	-

WIN FOR LIFE  
VIRGINIA LOTTERY DEPARTMENT  
VIRGINIA DRAW ACTIVITY  
From April 1, 2009 through March 31, 2010

Exhibit I

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	WFL Prize Amount (Purchased by VA)
8/5/2009	\$ 285,630	\$ 115,852	\$ 90,945	\$ -
8/8/2009	324,662	67,370	67,859	-
8/12/2009	285,547	66,250	65,544	-
8/15/2009	327,756	80,688	78,840	-
8/19/2009	287,473	78,904	74,098	-
8/22/2009	331,549	146,718	119,456	-
8/26/2009	299,642	76,140	76,290	1,000,000
8/29/2009	348,542	69,640	77,149	-
9/2/2009	289,670	64,976	65,406	-
9/5/2009	330,066	69,074	72,051	-
9/9/2009	284,134	67,318	66,983	-
9/12/2009	321,329	81,162	80,539	-
9/16/2009	282,314	61,254	62,768	-
9/19/2009	321,059	83,056	81,799	-
9/23/2009	282,044	70,906	71,836	-
9/26/2009	317,890	70,416	125,962	-
9/30/2009	282,898	192,340	195,064	-
10/3/2009	335,029	147,346	120,818	-
10/7/2009	290,327	79,754	79,993	-
10/10/2009	326,849	149,926	121,276	-
10/14/2009	284,227	77,610	76,677	-
10/17/2009	326,622	66,286	68,639	-
10/21/2009	274,323	57,264	55,309	-
10/24/2009	310,087	110,216	141,605	-
10/28/2009	274,107	83,724	84,207	-
10/31/2009	318,654	74,322	73,662	-
11/4/2009	282,072	173,596	122,739	1,000,000
11/7/2009	315,844	143,152	112,972	-
11/11/2009	265,296	55,272	58,854	-
11/14/2009	309,734	60,342	63,280	-
11/18/2009	272,926	58,064	60,890	-
11/21/2009	306,176	75,824	76,747	-
11/25/2009	283,612	68,526	97,001	-
11/28/2009	286,156	122,150	95,410	-
12/2/2009	274,016	108,474	115,434	-
12/5/2009	297,572	195,652	190,903	1,000,000

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VIRGINIA LOTTERY DEPARTMENT  
VIRGINIA DRAW ACTIVITY  
From April 1, 2009 through March 31, 2010

Exhibit I

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	WFL Prize Amount (Purchased by VA)
12/9/2009	\$ 275,392	\$ 51,284	\$ 53,215	\$ -
12/12/2009	313,109	225,510	166,642	-
12/16/2009	281,038	61,352	61,286	-
12/19/2009	259,736	65,476	66,495	1,000,000
12/23/2009	287,738	67,692	66,725	-
12/26/2009	279,091	66,558	65,707	-
12/30/2009	279,802	72,928	74,956	-
1/2/2010	293,402	64,136	66,344	-
1/6/2010	273,135	66,586	65,754	-
1/9/2010	304,032	56,580	62,532	-
1/13/2010	272,011	66,532	67,761	-
1/16/2010	311,079	251,714	214,390	-
1/20/2010	273,401	56,870	58,073	-
1/23/2010	312,875	93,392	116,366	-
1/27/2010	277,475	66,812	67,069	-
1/30/2010	262,924	67,880	91,772	-
2/3/2010	243,891	55,030	56,618	-
2/6/2010	233,928	163,234	111,029	-
2/10/2010	214,647	55,634	55,360	-
2/13/2010	259,505	61,074	60,761	-
2/17/2010	233,203	110,714	113,432	-
2/20/2010	260,842	222,922	151,998	-
2/24/2010	234,699	118,666	94,567	-
2/27/2010	261,473	55,146	84,851	-
3/3/2010	240,357	110,682	87,372	-
3/6/2010	264,392	61,004	64,582	-
3/10/2010	231,620	63,884	93,672	-
3/13/2010	252,849	56,070	58,439	-
3/17/2010	227,892	51,248	76,531	-
3/20/2010	248,871	66,320	65,179	-
3/24/2010	224,198	227,170	150,604	-
3/27/2010	246,553	62,608	65,086	-
3/31/2010	222,035	43,386	45,677	-
Totals	<u>\$30,395,325</u>	<u>\$ 9,786,404</u>	<u>\$ 9,565,811</u>	<u>\$ 6,000,000</u>

WIN FOR LIFE  
VIRGINIA LOTTERY DEPARTMENT  
FIXED PRIZE ANALYSIS  
FROM APRIL 1, 2009 THROUGH MARCH 31, 2010

Exhibit II

	Receivable/ (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Quarterly/ Yearly Settlements Transfers In (Out)	Receivable/ (Payable)
Georgia	\$ 465,119	5,980,344	6,091,705	370,929	(17,171)
Kentucky	(125,261)	2,752,420	2,861,652	15,057	(249,550)
Virginia	(339,858)	9,786,404	9,565,811	(385,986)	266,721
Totals	<u>\$ -</u>	<u>\$18,519,168</u>	<u>\$18,519,168</u>	<u>\$ -</u>	<u>\$ -</u>