

**STATE LOTTERY DEPARTMENT
MEGA MILLIONS**

**REPORT ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2010 THROUGH MARCH 31, 2011**





Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 6, 2011

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, 2010 through March 31, 2011, and the Virginia Lottery's receivable or payable as of March 31, 2011. 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 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, 2010 through March 31, 2011, 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, 2010 through March 31, 2011, for testing as indicated in "C", "D", and "E" below.

June 22, 2010

November 30, 2010

October 19, 2010

February 25, 2011

November 9, 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 (August 2010 and January 2011) 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 (if any) 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 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.

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- K. We compared the balance listed as the Virginia Lottery's receivable or payable as of March 31, 2011, 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, 2011, 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

EJR/alh

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
VIRGINIA DRAW ACTIVITY
From April 1, 2010 through March 31, 2011

Exhibit I

<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
CA	4/2/2010	\$ 1,231,265	\$ 175,246	\$ 214,939
	4/6/2010	1,167,259	111,366	183,834
	4/9/2010	1,354,759	163,748	244,238
	4/13/2010	1,398,956	141,770	249,850
	4/16/2010	1,651,594	204,594	256,365
	4/20/2010	1,667,430	199,215	327,238
	4/23/2010	1,882,603	209,097	307,473
	4/27/2010	2,045,411	216,677	310,960
	4/30/2010	2,805,159	532,289	407,578
	5/4/2010	3,184,968	1,098,256	646,778
	5/7/2010	1,056,146	136,083	179,686
	5/11/2010	1,009,208	97,338	169,842
	5/14/2010	1,145,064	120,799	244,556
	5/18/2010	1,105,395	139,799	260,476
	5/21/2010	1,231,274	398,229	220,764
NY	5/25/2010	1,151,086	171,820	326,208
PB	5/28/2010	1,005,012	136,424	191,529
MI	6/1/2010	843,417	103,700	153,662
	6/4/2010	1,012,330	121,853	192,388
	6/8/2010	969,574	107,950	135,015
	6/11/2010	1,063,946	132,079	194,625
	6/15/2010	870,489	141,074	165,429
NY	6/18/2010	956,274	124,600	134,242
	6/22/2010	907,320	134,563	264,885
	6/25/2010	891,340	387,780	195,789
	6/29/2010	854,764	349,241	163,230
CA	7/2/2010	995,464	142,685	155,769
	7/6/2010	895,368	92,313	160,348
	7/9/2010	1,054,190	125,675	129,569
	7/13/2010	1,050,740	129,118	202,885
	7/16/2010	1,179,742	386,550	217,573
	7/20/2010	845,655	89,217	140,085
	7/23/2010	930,377	103,726	151,865
	7/27/2010	895,777	147,069	443,808
	7/30/2010	1,027,094	107,298	168,704
	8/3/2010	1,018,348	103,559	128,916
	8/6/2010	1,121,349	127,985	284,222

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<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
CA	8/10/2010	\$1,086,116	\$131,691	\$207,722
	8/13/2010	1,267,316	133,305	167,535
	8/17/2010	1,232,024	127,696	239,357
	8/20/2010	1,621,670	176,401	279,964
	8/24/2010	1,615,925	190,033	247,791
	8/27/2010	1,832,168	224,523	263,631
	8/31/2010	890,973	82,366	135,400
	9/3/2010	982,392	139,043	194,264
	9/7/2010	856,924	109,473	189,150
	9/10/2010	1,038,974	634,627	330,336
NY	9/14/2010	998,274	623,946	190,801
	9/17/2010	1,139,318	406,525	455,058
	9/21/2010	826,596	80,679	129,984
	9/24/2010	926,400	95,895	124,221
	9/28/2010	860,973	88,056	120,053
	10/1/2010	1,002,479	149,490	193,648
	10/5/2010	949,466	127,095	162,568
	10/8/2010	1,086,086	125,788	157,101
	10/12/2010	1,044,781	101,267	162,266
	10/15/2010	1,209,683	179,934	206,421
MI	10/19/2010	1,198,487	130,478	232,061
	10/22/2010	1,588,247	172,833	260,142
	10/26/2010	1,552,049	171,689	251,486
	10/29/2010	1,779,103	220,769	295,888
	11/2/2010	844,629	107,349	184,888
	11/5/2010	936,360	110,194	159,218
	11/9/2010	879,926	350,045	134,722
	11/12/2010	885,283	98,551	238,873
	11/16/2010	819,720	101,219	130,800
	11/19/2010	934,270	82,568	174,903
OH	11/23/2010	887,104	104,700	184,156
	11/26/2010	865,029	100,686	181,240
	11/30/2010	980,452	109,728	147,707
	12/3/2010	1,107,156	166,493	203,327
	12/7/2010	1,058,187	123,196	150,753
	12/10/2010	1,225,533	144,380	228,203
	12/14/2010	1,320,583	399,044	227,023

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
VIRGINIA DRAW ACTIVITY
From April 1, 2010 through March 31, 2011

Exhibit I

<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
PB/WA	12/17/2010	\$1,486,273	\$178,541	\$245,981
	12/21/2010	1,694,098	235,334	270,647
	12/24/2010	2,174,205	994,504	421,569
	12/28/2010	2,075,234	482,226	374,062
	12/31/2010	4,475,251	779,242	763,522
	1/4/2011	8,016,126	1,276,713	1,575,974
	1/7/2011	935,906	111,151	134,065
	1/11/2011	886,136	108,033	170,255
	1/14/2011	1,012,974	105,589	199,446
	1/18/2011	961,082	351,011	210,671
	1/21/2011	1,140,157	391,135	214,227
	1/25/2011	1,112,786	135,930	187,693
	1/28/2011	1,192,220	114,503	166,933
	2/1/2011	1,340,533	156,055	267,054
	2/4/2011	974,006	94,528	145,164
MI/PB	2/8/2011	878,835	372,139	199,066
	2/11/2011	982,987	359,421	242,644
	2/15/2011	948,141	90,497	132,779
	2/18/2011	1,069,142	130,096	198,729
	2/22/2011	1,009,597	109,713	200,743
	2/25/2011	1,164,843	185,064	242,487
	3/1/2011	1,165,224	161,844	221,438
	3/4/2011	1,443,377	226,230	289,886
	3/8/2011	1,422,342	148,719	256,551
	3/11/2011	1,616,065	210,084	266,656
	3/15/2011	1,732,438	203,365	309,337
	3/18/2011	2,253,212	224,556	372,476
	3/22/2011	2,622,162	278,473	500,183
	3/25/2011	4,662,941	556,877	754,586
	3/29/2011	828,560	92,154	129,094
Total		<u>\$140,083,656</u>	<u>\$22,896,267</u>	<u>\$25,731,902</u>

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
FIXED PRIZE ANALYSIS
From April 1, 2010 through March 31, 2011

Exhibit II

	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
California	\$ -	\$ -	\$ -	\$ -	\$ -
Georgia	541,683	29,943,133	28,491,637	1,695,330	297,849
Illinois	312,773	30,801,291	31,605,329	151,152	(642,417)
Maryland	633,950	18,236,906	19,303,149	(325,974)	(106,319)
Massachusetts	(465,195)	18,664,610	19,683,458	(1,041,921)	(442,122)
Michigan	(511,378)	30,559,462	31,399,443	(1,266,395)	(84,964)
New Jersey	(168,111)	44,560,941	44,612,816	(779,586)	559,600
New York	(580,277)	88,347,903	85,093,594	2,242,327	431,705
Ohio	(1,228,191)	32,657,447	31,290,398	48,401	90,457
POWER BALL	-	-	-	-	-
Texas	349,537	34,438,389	33,617,120	540,588	630,218
Virginia	216,448	22,896,267	25,731,902	(1,621,282)	(997,905)
Washington State	898,761	<u>10,212,883</u>	<u>10,490,386</u>	357,360	263,898
Total		<u>\$361,319,232</u>	<u>\$361,319,232</u>		