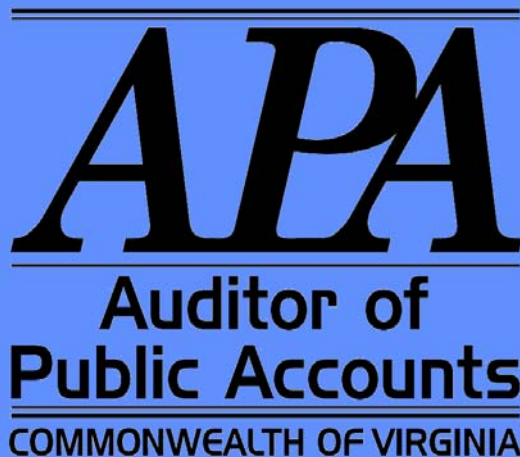


**STATE LOTTERY DEPARTMENT**

**REPORT ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD**

**APRIL 1, 2007 – MARCH 31, 2008**





# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

July 30, 2008

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, 2007 through March 31, 2008, and the Virginia Lottery's receivable or payable as of March 31, 2008. 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, 2007 through March 31, 2008, 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, 2007 through March 31, 2008, for testing as indicated in "C", "D", and "E" below.

April 27, 2007  
July 24, 2007  
October 02, 2007

November 20, 2007  
February 15, 2008

- 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. 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 to the applicable amounts shown on the “Fixed Prize Analysis” (Exhibit II) and found them to be in agreement.
- H. For each amount 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, 2008, 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, 2008, 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/alh

MEGA MILLIONS  
VIRGINIA LOTTERY DEPARTMENT  
DRAW ACTIVITY  
For the period ending March 31, 2008

EXHIBIT I

<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>	<u>Annuitized Jackpot Amount</u>	<u>(1) Cost of Jackpot Prizes</u>
4/3/2007	\$ 1,405,857	\$ 143,777	\$ 235,430	\$ -	\$ -
4/6/2007	1,685,990	200,109	271,235	-	-
4/10/2007	938,264	139,917	240,952	-	-
4/13/2007	1,047,129	395,805	210,409	-	-
4/17/2007	988,712	110,809	128,335	-	-
4/20/2007	1,087,318	375,209	195,410	-	-
4/24/2007	1,048,217	129,239	183,705	-	-
4/27/2007	1,156,021	157,416	171,940	-	-
5/1/2007	1,163,325	124,993	181,399	-	-
5/4/2007	1,312,935	127,573	217,530	-	-
5/8/2007	1,353,763	135,739	205,475	-	-
5/11/2007	1,563,934	162,485	275,546	-	-
5/15/2007	869,076	100,064	103,566	-	-
5/18/2007	937,967	123,330	213,781	-	-
5/22/2007	908,938	164,975	251,096	-	-
5/25/2007	1,014,127	112,046	166,830	-	-
5/29/2007	939,559	109,123	164,478	44,000,000	25,475,950
6/1/2007	868,017	106,476	154,927	-	-
6/5/2007	852,434	87,787	146,037	-	-
6/8/2007	939,696	108,363	144,893	-	-
6/12/2007	938,250	354,639	214,055	-	-
6/15/2007	1,055,191	139,611	192,907	-	-
6/19/2007	1,051,026	633,775	238,832	-	-
6/22/2007	1,170,106	397,774	238,557	-	-
6/26/2007	1,202,360	158,960	224,254	-	-
6/29/2007	1,554,737	723,453	316,359	-	-
7/3/2007	1,725,381	207,798	263,098	-	-
7/6/2007	1,902,779	470,286	377,062	-	-
7/10/2007	937,982	103,342	142,085	-	-
7/13/2007	1,002,425	351,413	164,597	-	-
7/17/2007	972,370	99,174	181,568	-	-
7/20/2007	1,070,116	127,448	144,991	-	-
7/24/2007	1,060,235	372,004	172,358	-	-
7/27/2007	1,167,568	110,163	161,026	-	-
7/31/2007	1,174,535	117,380	183,932	-	-
8/3/2007	1,331,903	146,784	214,283	-	-
8/7/2007	1,342,320	154,285	201,453	-	-
8/10/2007	1,766,122	445,890	349,982	-	-
8/14/2007	1,972,706	540,324	432,283	-	-
8/17/2007	2,290,195	263,756	397,077	-	-
8/21/2007	2,538,462	251,907	431,472	-	-
8/24/2007	3,650,214	430,743	591,769	-	-
8/28/2007	4,414,349	765,099	643,937	-	-
8/31/2007	6,976,040	1,824,689	1,270,342	82,500,000	45,397,491
9/4/2007	973,572	98,521	147,872	-	-
9/7/2007	1,152,908	157,582	179,523	-	-
9/11/2007	1,124,124	403,301	229,773	-	-
9/14/2007	1,276,511	415,395	393,282	-	-
9/18/2007	1,231,477	178,203	180,164	-	-
9/21/2007	1,404,942	152,271	213,629	-	-
9/25/2007	978,090	93,044	198,694	-	-
9/28/2007	1,050,170	376,234	263,929	-	-
10/2/2007	997,244	100,507	108,326	-	-
10/5/2007	1,145,132	365,776	151,739	-	-
10/9/2007	918,537	113,725	119,657	-	-

MEGA MILLIONS  
VIRGINIA LOTTERY DEPARTMENT  
DRAW ACTIVITY  
For the period ending March 31, 2008

EXHIBIT I

<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>	<u>Annuitized Jackpot Amount</u>	<u>(1) Cost of Jackpot Prizes</u>
10/12/2007	\$ 1,027,627	\$ 107,373	\$ 132,216	\$ -	\$ -
10/16/2007	1,004,930	115,446	171,529	-	-
10/19/2007	1,148,192	138,913	277,799	-	-
10/23/2007	1,111,495	356,312	216,197	-	-
10/26/2007	1,210,603	128,904	195,444	-	-
10/30/2007	1,163,885	125,132	129,230	-	-
11/2/2007	1,437,954	398,478	286,082	-	-
11/6/2007	923,490	120,762	157,132	-	-
11/9/2007	1,015,852	104,451	141,563	-	-
11/13/2007	982,073	121,066	168,567	-	-
11/16/2007	1,110,653	126,996	181,596	-	-
11/20/2007	1,102,406	133,901	186,911	-	-
11/23/2007	1,094,082	375,847	201,240	-	-
11/27/2007	1,203,078	137,316	199,326	-	-
11/30/2007	1,358,424	196,369	258,066	-	-
12/4/2007	1,392,615	390,037	229,918	-	-
12/7/2007	1,713,711	176,463	295,150	-	-
12/11/2007	1,967,056	744,055	344,395	-	-
12/14/2007	2,334,970	682,102	701,534	-	-
12/18/2007	2,471,795	794,617	418,132	-	-
12/21/2007	1,118,846	142,226	194,205	-	-
12/25/2007	896,537	90,971	185,786	-	-
12/28/2007	1,141,282	131,845	194,834	-	-
1/1/2008	1,044,823	139,438	166,965	-	-
1/4/2008	991,433	104,474	116,134	-	-
1/8/2008	969,551	383,256	163,284	-	-
1/11/2008	1,105,294	364,658	248,180	-	-
1/15/2008	1,075,806	131,065	200,164	-	-
1/18/2008	1,203,525	134,755	241,368	-	-
1/22/2008	1,192,619	145,651	251,153	-	-
1/25/2008	1,416,399	168,469	272,577	-	-
1/29/2008	1,534,450	424,707	242,437	-	-
2/1/2008	1,797,623	204,877	393,860	-	-
2/5/2008	2,149,817	234,929	361,938	-	-
2/8/2008	2,517,406	546,718	417,891	-	-
2/12/2008	2,556,144	317,673	549,874	-	-
2/15/2008	3,188,023	642,862	546,133	-	-
2/19/2008	4,012,475	407,714	642,214	-	-
2/22/2008	5,207,940	1,609,917	1,307,184	-	-
2/26/2008	1,095,279	139,049	174,294	-	-
2/29/2008	1,248,092	130,696	309,983	-	-
3/4/2008	1,244,273	152,854	293,904	-	-
3/7/2008	1,393,307	136,875	331,140	-	-
3/11/2008	1,337,656	137,215	232,404	-	-
3/14/2008	1,545,241	455,601	328,313	-	-
3/18/2008	1,513,497	414,635	265,928	-	-
3/21/2008	1,746,223	990,687	364,488	-	-
3/25/2008	1,817,346	186,573	253,986	-	-
3/28/2008	2,245,559	536,697	404,031	-	-
Total	\$ 155,682,715	\$ 29,842,118	\$ 28,344,520	\$ 126,500,000	\$ 70,873,441

(1) Cost data was provided by the Virginia Lottery. This column was added to complete procedure "H" outlined above.

MEGA MILLIONS  
VIRGINIA LOTTERY DEPARTMENT  
FIXED PRIZE ANALYSIS  
For the period ending March 31, 2008

EXHIBIT II

	Balance as of April 1, 2007 Receivable/ (Payable)	Prior Year Settlement Adjustment	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In/(Out)	March 31, 2008 Receivable (Payable)
California	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Georgia	(644,919)	-	40,240,428	38,093,118	1,223,810	278,581
Illinois	(49,755)	-	39,181,049	38,527,978	1,181,381	(578,065)
Massachusetts	(55,450)	-	23,247,020	22,063,291	1,235,071	(106,792)
Maryland	(54,984)	-	20,700,076	22,078,050	(1,258,133)	(174,825)
Michigan	(280,268)	-	36,224,937	35,619,347	257,256	68,066
New Jersey	(441,435)	-	51,484,322	51,822,074	(1,255,565)	476,378
New York	933,566	-	81,454,680	88,118,312	(4,766,592)	(963,474)
Ohio	(592,853)	-	34,727,728	35,778,914	(1,497,008)	(147,031)
Texas	495,018	-	35,524,885	33,072,419	2,479,385	468,099
Virginia	589,452	-	29,842,118	28,344,520	1,214,792	872,258
Washington	101,628	-	12,341,165	11,450,385	1,185,603	(193,195)
Total	\$ -	\$ -	\$404,968,408	\$404,968,408	\$ -	\$ -

