

**STATE LOTTERY DEPARTMENT
RICHMOND, VIRGINIA**

**REPORT ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
SEPTEMBER 9, 2001 THROUGH MARCH 31, 2002**



August 19, 2002

The 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 Georgia and Kentucky (referred to as the "Member Lotteries") which operate Lotto South, solely to assist the Virginia Lottery and Member Lotteries with respect to the evaluation of the following financial information associated with Lotto South: Virginia Lottery's sales and prize expense for the period September 9, 2001 through March 31, 2002, and the Virginia Lottery's receivable or payable as of March 31, 2002. Virginia Lottery is responsible for its records of the financial information associated with Lotto South. 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 specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures prescribed 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 Lotto South "Draw Activity" and the "Fixed Prize Analysis" reports for the period September 9, 2001 to March 31, 2002 and attached those as Exhibits I and II, respectively. We proved the mathematical accuracy of the schedules with no exceptions noted.
- B. We randomly selected the following five (5) draw dates from the period September 9, 2001 to March 31, 2002:

September 19, 2001	February 6, 2002
December 1, 2001	March 30, 2002
January 12, 2002	
- C. For each draw date 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 draw date on the “Draw Activity” report attached as Exhibit I and found them to be in agreement.

We calculated the total dollar amount of the actual and fixed prizes for the draw dates 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 the Lotto South’s shared 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 draw date on the “Draw Activity” report attached as Exhibit I and found them to be in agreement.

For each draw date 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 Lotto South Settlement Reports and found them to be in agreement.

- F. We compared the amounts shown as the total of the actual fixed prizes and the total of the shared 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.
- G. We compared the total of the quarterly transfers to/from the Virginia Lottery for settlement of the shared 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.
- H. We compared the balance listed as the Virginia Lottery’s payable/receivable as of March 31, 2002 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 Lotto South Prize Settlement Report as of March 31, 2002 and found them to be in agreement.
- I. We selected the only draw date whereby the Virginia Lottery had a Lotto South Jackpot Prize Winner as referenced on the “Draw Activity” report attached as Exhibit I, reviewed the appropriate files and/or documentation and verified the following:
 - 1) If the winner selected the annuity option, the lottery purchased annuities in accordance with Lotto South Operational Procedures, Section 4., Type of Investments.
 - 2) Regardless of annuity or cash option, the Jackpot Prize was validated in accordance with Lotto South Operational Procedures, Section 13., Ticket Validation.

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 Lotto South.

Accordingly, we do not express such an opinion here. 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.

AUDITOR OF PUBLIC ACCOUNTS

KKH:kva

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Exhibit I

Lotto South
Virginia State Lottery Department
Draw Activity
For the Period September 9, 2001 to March 31, 2002

Draw Dates	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes (purchased by Virginia)
09/12/2001	\$ 584,348	\$ 89,100	\$ 97,931	\$ -
09/15/2001	717,259	120,247	127,044	-
09/19/2001	636,536	105,322	113,399	-
09/22/2001	770,337	122,221	127,697	-
09/26/2001	672,377	118,852	112,142	-
09/29/2001	821,109	139,481	142,740	-
10/03/2001	717,521	120,037	120,180	-
10/06/2001	843,418	138,441	142,993	-
10/10/2001	738,517	135,011	131,843	-
10/13/2001	883,087	131,820	146,760	-
10/17/2001	596,437	102,328	93,961	-
10/20/2001	692,336	111,603	114,860	-
10/24/2001	607,176	107,118	96,740	-
10/27/2001	721,976	134,411	120,728	-
10/31/2001	556,564	96,757	93,238	-
11/03/2001	688,856	115,430	119,425	-
11/07/2001	598,580	90,232	98,498	-
11/10/2001	717,001	119,291	122,093	-
11/14/2001	618,423	111,913	106,313	-
11/17/2001	748,039	106,275	123,678	-
11/21/2001	680,122	109,277	115,773	-
11/24/2001	756,871	115,473	133,359	-
11/28/2001	714,227	120,602	124,227	-
12/01/2001	846,249	156,285	141,732	-
12/05/2001	752,861	129,664	131,525	-
12/08/2001	868,762	140,076	152,765	-
12/12/2001	783,949	127,697	135,098	-
12/15/2001	928,145	154,245	154,630	-
12/19/2001	840,658	139,379	142,677	-
12/22/2001	1,002,281	172,120	173,247	-
12/26/2001	863,270	139,874	140,704	-
12/29/2001	1,092,191	185,446	188,837	-
01/02/2002	981,559	164,022	172,158	-
01/05/2002	1,097,223	171,910	188,302	-
01/09/2002	614,977	101,982	109,455	-
01/12/2002	739,151	142,203	127,614	-
01/16/2002	624,686	96,308	107,554	-
01/19/2002	706,474	108,588	114,263	-
01/23/2002	647,166	108,695	113,802	-

Exhibit I continued

Draw Dates	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes (purchased by Virginia)
01/26/2002	\$ 779,522	\$ 131,937	\$ 133,463	\$ -
01/30/2002	679,685	111,739	121,300	-
02/02/2002	847,177	132,565	142,946	-
02/06/2002	740,869	126,255	128,030	-
02/09/2002	878,402	156,680	143,572	-
02/13/2002	778,673	130,500	133,919	-
02/16/2002	949,177	160,644	155,166	-
02/20/2002	852,480	155,969	134,479	-
02/23/2002	1,013,620	172,605	167,612	-
02/27/2002	891,681	150,335	154,680	-
03/02/2002	1,105,756	180,420	187,175	9,572,986
03/06/2002	631,388	98,035	111,199	-
03/09/2002	742,004	120,078	125,929	-
03/13/2002	636,000	108,238	112,491	-
03/16/2002	772,327	128,080	136,197	-
03/20/2002	671,177	112,113	108,733	-
03/23/2002	803,678	133,824	135,992	-
03/27/2002	585,715	98,035	95,562	-
03/30/2002	<u>733,419</u>	<u>136,558</u>	<u>128,712</u>	<u>-</u>
Total	<u>\$44,563,469</u>	<u>\$7,444,346</u>	<u>\$7,577,142</u>	<u>\$9,572,986</u>

Exhibit II

Lotto South
 Virginia State Lottery Department
 Fixed Prize Analysis
 For the Period Ending March 31, 2002

<u>State</u>	Balance as of April 1, 2001 Receivable/ (Payable)	Actual <u>Fixed Prizes</u>	Share of <u>Fixed Prizes</u>	Qtrly/Yrly Settlements <u>Transfers In (Out)</u>	Balance as of March 31, 2002 Receivable/ (Payable)
Georgia	\$ -	\$ 8,463,410	\$ 8,344,026	\$ 25,119	\$ 94,265
Kentucky	-	2,711,606	2,698,194	611	12,801
Virginia	<u>-</u>	<u>7,444,346</u>	<u>7,577,142</u>	<u>(25,730)</u>	<u>(107,066)</u>
Total	<u>\$ -</u>	<u>\$18,619,362</u>	<u>\$18,619,362</u>	<u>\$ -</u>	<u>\$ -</u>