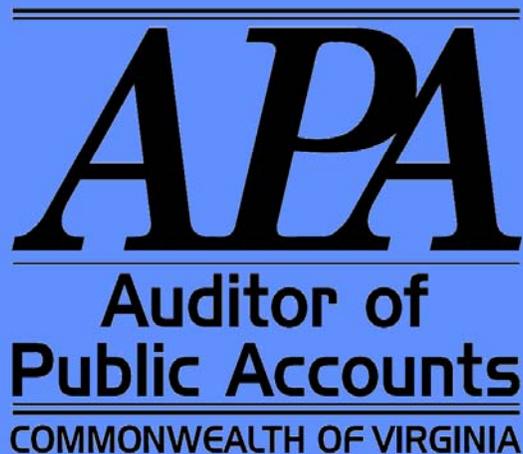


**STATE LOTTERY DEPARTMENT
MEGA MILLIONS**

**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

Members of the Virginia State Lottery Board
July 15, 2010

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

KKH:alh

MEGA MILLIONS
 VIRGINIA LOTTERY DEPARTMENT
 DRAW ACTIVITY REPORT
 From April 3, 2009 through March 31, 2010

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>Cash Options Amount</u>
4/3/2009	\$ 1,540,929	\$ 174,872	\$ 243,160	\$ -	\$ -
4/7/2009	1,504,465	175,174	249,652	-	-
4/10/2009	1,737,538	207,782	330,307	-	-
4/14/2009	1,866,679	214,662	280,772	-	-
4/17/2009	2,285,019	505,777	435,480	-	-
4/21/2009	2,453,104	1,284,453	466,992	-	-
4/24/2009	2,850,651	586,880	524,824	-	-
4/28/2009	3,049,056	371,039	510,347	-	-
5/1/2009	4,266,872	490,967	778,792	75,666,666	-
5/5/2009	1,192,253	124,344	190,682	-	-
5/8/2009	1,314,718	382,362	207,714	-	-
5/12/2009	1,270,076	191,382	251,453	-	-
5/15/2009	1,459,566	700,905	836,504	19,000,000	-
5/19/2009	1,115,230	423,983	266,784	-	-
5/22/2009	1,248,792	375,181	200,541	-	-
5/26/2009	1,120,872	108,093	161,498	-	-
5/29/2009	1,370,765	379,240	222,927	-	-
6/2/2009	1,083,660	375,586	216,547	-	-
6/5/2009	1,212,585	149,722	200,694	-	-
6/9/2009	1,171,442	132,983	133,719	-	-
6/12/2009	1,335,356	136,639	231,235	-	-
6/16/2009	1,312,150	430,879	254,556	-	-
6/19/2009	1,495,019	439,889	344,961	-	-
6/23/2009	1,478,977	445,047	262,366	-	-
6/26/2009	1,702,077	197,326	299,663	-	-
6/30/2009	1,837,032	183,769	269,289	-	-
7/3/2009	2,240,781	990,596	781,118	-	-
7/7/2009	2,407,838	526,029	438,215	-	-
7/10/2009	1,239,702	451,340	389,405	-	-
7/14/2009	1,166,521	134,816	143,492	-	-
7/17/2009	1,348,694	133,851	232,335	-	-
7/21/2009	1,321,714	131,551	168,036	-	-
7/24/2009	1,472,876	148,158	215,645	-	-
7/28/2009	1,485,858	425,152	352,662	-	-
7/31/2009	1,753,622	182,645	315,947	-	-
8/4/2009	1,760,355	181,802	230,484	-	-
8/7/2009	2,183,118	219,718	320,227	-	-
8/11/2009	2,295,976	522,221	515,464	-	-
8/14/2009	2,669,606	556,362	638,442	-	-
8/18/2009	2,876,586	811,993	512,179	-	-
8/21/2009	4,048,043	910,162	769,353	-	-
8/25/2009	5,095,256	1,159,497	968,481	-	-
8/28/2009	8,118,857	894,385	1,342,678	-	-
9/1/2009	1,335,287	177,128	300,759	-	-
9/4/2009	1,378,289	691,640	457,731	-	-

MEGA MILLIONS
 VIRGINIA LOTTERY DEPARTMENT
 DRAW ACTIVITY REPORT
 From April 3, 2009 through March 31, 2010

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>Cash Options Amount</u>
9/8/2009	\$ 1,205,647	\$ 147,015	\$ 252,503	\$ -	\$ -
9/11/2009	1,485,961	149,621	218,431	-	-
9/15/2009	1,390,883	147,069	150,432	-	-
9/18/2009	1,649,938	211,217	272,710	-	-
9/22/2009	1,579,579	407,944	338,919	-	-
9/25/2009	1,813,851	459,274	251,295	-	-
9/29/2009	1,753,002	448,462	345,081	-	-
10/2/2009	2,266,178	241,741	480,171	-	-
10/6/2009	2,278,063	210,998	351,305	-	-
10/9/2009	2,604,237	565,963	412,889	-	-
10/13/2009	2,634,943	534,675	449,724	-	-
10/16/2009	3,484,392	395,167	651,795	200,000,000	-
10/20/2009	1,194,849	402,474	297,074	-	-
10/23/2009	1,383,689	154,486	169,379	-	-
10/27/2009	1,301,005	635,948	277,919	-	-
10/30/2009	1,576,702	436,612	279,728	-	-
11/3/2009	1,511,621	183,327	247,503	-	-
11/6/2009	1,706,805	216,828	340,102	-	-
11/10/2009	1,657,420	458,005	319,173	-	-
11/13/2009	1,256,679	127,814	312,750	-	-
11/17/2009	1,219,024	143,859	144,173	-	-
11/20/2009	1,391,485	193,519	251,314	-	-
11/24/2009	1,341,484	160,981	256,159	-	-
11/27/2009	1,323,024	419,898	274,760	-	-
12/1/2009	1,497,994	678,201	253,193	-	-
12/4/2009	1,691,258	169,750	320,753	-	-
12/8/2009	1,625,755	446,887	241,714	-	-
12/11/2009	2,150,868	240,863	339,735	-	-
12/15/2009	2,180,251	221,494	418,691	-	-
12/18/2009	2,497,389	273,638	397,948	-	-
12/22/2009	2,277,902	303,413	407,940	-	-
12/25/2009	1,154,979	621,124	207,408	-	-
12/29/2009	1,219,361	381,379	267,211	-	-
1/1/2010	1,311,093	152,495	191,447	-	-
1/5/2010	1,318,093	381,865	244,013	-	-
1/8/2010	1,478,833	180,274	238,466	-	-
1/12/2010	1,486,900	188,898	264,588	-	-
1/15/2010	1,743,193	236,094	435,828	-	-
1/19/2010	1,667,486	176,826	247,109	-	-
1/22/2010	2,135,432	537,753	377,060	-	-
1/26/2010	2,163,821	484,386	330,467	-	-
1/29/2010	2,643,579	320,726	538,868	-	-
2/2/2010	1,091,075	160,176	166,769	-	-
2/5/2010	1,190,182	137,199	135,833	-	-
2/9/2010	1,047,762	394,816	165,217	-	-

MEGA MILLIONS
 VIRGINIA LOTTERY DEPARTMENT
 DRAW ACTIVITY REPORT
 From April 3, 2009 through March 31, 2010

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>Cash Options Amount</u>
2/12/2010	\$ 1,210,570	\$ 122,285	\$ 152,790	\$ -	\$ -
2/16/2010	1,217,838	165,090	229,853	-	-
2/19/2010	1,376,645	150,048	191,364	-	-
2/23/2010	1,347,292	656,745	355,978	-	-
2/26/2010	1,587,209	166,800	213,392	-	-
3/2/2010	1,630,661	174,111	274,799	-	-
3/5/2010	1,841,942	181,689	296,543	-	-
3/9/2010	996,256	387,768	205,675	-	-
3/12/2010	1,124,688	105,851	149,139	-	-
3/16/2010	960,433	94,169	185,113	-	-
3/19/2010	1,081,468	386,648	176,450	-	-
3/23/2010	1,018,587	124,351	234,261	-	-
3/26/2010	1,152,906	115,738	142,446	-	-
3/30/2010	1,094,976	121,064	178,665	-	-
Total	<u>\$ 184,699,000</u>	<u>\$ 35,531,493</u>	<u>\$ 33,986,127</u>	<u>\$ 294,666,666</u>	<u>\$ -</u>

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
FIXED PRIZE ANALYSIS
From April 3, 2009 through March 31, 2010

Exhibit II

	<u>Receivable (Payable)</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>	<u>Qtrly/Yrly Settlements Transfer In (Out)</u>	<u>Receivable (Payable)</u>
California	\$ -	\$ -	\$ -	\$ -	\$ -
Georgia	519,400	39,906,385	40,261,536	(377,434)	541,683
Illinois	(1,061,881)	42,929,989	42,979,887	(1,424,552)	312,773
Massachusetts	162,554	23,440,201	23,595,904	472,046	(465,195)
Maryland	425,580	25,767,091	24,982,783	575,938	633,950
Michigan	291,946	40,278,675	41,253,026	(171,027)	(511,378)
New Jersey	(1,145,143)	61,340,446	60,266,954	96,460	(168,111)
New York	706,578	98,973,830	102,712,627	(2,451,942)	(580,277)
Ohio	(295,095)	41,591,042	41,104,128	1,420,010	(1,228,191)
POWER BALL	-	-	-	-	-
Texas	675,648	40,289,504	39,305,632	1,309,983	349,537
Virginia	43,284	35,531,493	33,986,127	1,372,202	216,448
Washington State	(322,871)	13,401,835	13,001,887	(821,684)	898,761
Total	<u>\$ -</u>	<u>\$463,450,491</u>	<u>\$463,450,491</u>	<u>\$ -</u>	<u>\$ -</u>

MEGA MILLIONS
 VIRGINIA LOTTERY DEPARTMENT
 DRAW ACTIVITY SUPPLEMENT
 From April 3, 2009 through March 31, 2010

Exhibit III

Winning State(s)	Draw Date	Annuitized JP Amount	Cost of Jackpot Prizes	Cash Options Amounts
CA	5/1/2009	\$ 75,666,667	\$ -	\$ 48,164,651
OH	5/1/2009	\$ 75,666,666	\$ 48,306,759	\$ -
VA	5/1/2009	\$ 75,666,667	\$ 48,306,759	\$ -
CA	5/15/2009	\$ 19,000,000	\$ -	\$ 12,226,512
VA	5/15/2009	\$ 19,000,000	\$ 12,232,776	\$ -
NY	5/29/2009	\$ 36,000,000	\$ -	\$ 22,249,691
NY	7/7/2009	\$ 133,000,000	\$ -	\$ 82,762,912
CA	8/28/2009	\$ 168,000,000	\$ -	\$ 106,194,690
NY	8/28/2009	\$ 168,000,000	\$ 106,289,631	\$ -
GA	9/1/2009	\$ 12,000,000	\$ -	\$ 7,609,385
VA	10/16/2009	\$ 200,000,000	\$ 126,519,093	\$ -
CA	11/10/2009	\$ 38,500,000	\$ -	\$ 24,213,837
NJ	11/10/2009	\$ 38,500,000	\$ -	\$ 24,213,836
NY	12/22/2009	\$ 165,000,000	\$ -	\$ 102,167,183
TX	1/29/2010	\$ 144,000,000	\$ 89,315,368	\$ -
CA	3/5/2010	\$ 134,000,000	\$ -	\$ 83,126,551
IL	3/12/2010	\$ 20,000,000	\$ 12,471,937	\$ -