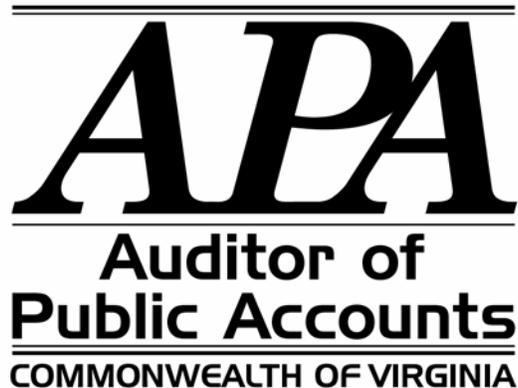


**STATE LOTTERY DEPARTMENT**

**REPORT ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
APRIL 1, 2004 THROUGH MARCH 31, 2005**





# Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

August 4, 2005

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, 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, 2004 through March 31, 2005, and the Virginia Lottery's receivable or payable as of March 31, 2005. 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 specified users of the report. 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 Mega Millions "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2004 through March 31, 2005, 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, 2004 to March 31, 2005, for testing as indicated in "C", "D", and "E" below.

April 27, 2004  
July 9, 2004  
September 14, 2004

November 26, 2004  
February 25, 2005

- 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. 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 were compared to the applicable amounts shown on the “Fixed Prize Analysis” (Exhibit II) and were found to be in agreement.
- H. For each amount (if any) 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, 2005, 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, 2005, 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

LCR/kva

MEGA MILLIONS  
VIRGINIA LOTTERY DEPARTMENT  
DRAW ACTIVITY  
For the period ending March 31, 2005

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
04/02/04	\$ 1,406,004	\$ 172,488	\$ 247,785	\$ -
04/06/04	1,496,667	168,410	254,962	-
04/09/04	1,875,754	451,216	499,299	-
04/13/04	885,759	265,519	125,093	-
04/16/04	929,092	446,475	171,220	-
04/20/04	897,423	91,199	143,599	-
04/23/04	978,601	286,838	192,486	-
04/27/04	968,817	649,611	239,959	-
04/30/04	1,090,861	293,996	233,908	-
05/04/04	1,115,637	312,997	198,818	-
05/07/04	1,247,905	146,813	235,031	-
05/11/04	786,792	266,031	142,951	-
05/14/04	828,993	99,146	145,203	-
05/18/04	809,808	70,264	118,206	-
05/21/04	906,710	277,793	183,205	-
05/25/04	881,728	107,676	107,665	-
05/28/04	1,010,121	114,467	162,571	-
06/01/04	1,004,454	116,971	181,125	-
06/04/04	1,176,350	128,704	179,636	-
06/08/04	1,273,383	319,190	186,928	-
06/11/04	1,382,085	328,443	214,150	-
06/15/04	1,925,225	400,856	388,202	-
06/18/04	2,342,076	477,987	460,939	-
06/22/04	2,704,609	501,729	471,047	-
06/25/04	3,548,032	583,898	563,491	-
06/29/04	5,342,368	998,916	1,118,157	-
07/02/04	9,222,544	1,372,078	1,516,058	-
07/06/04	1,038,846	140,176	227,994	-
07/09/04	1,033,452	130,675	151,983	-
07/13/04	1,013,836	91,471	169,868	-
07/16/04	1,122,901	158,671	208,749	-
07/20/04	1,109,063	335,341	211,248	-
07/23/04	1,247,870	163,693	225,215	-
07/27/04	872,597	1,353,683	585,004	-
07/30/04	911,426	115,177	173,578	-
08/03/04	881,052	469,096	260,552	-
08/06/04	975,234	114,506	156,467	-
08/10/04	952,170	115,527	166,713	-
08/13/04	1,074,459	111,702	124,450	-
08/17/04	1,033,435	122,646	210,801	-
08/20/04	1,185,569	140,632	220,400	-
08/24/04	788,979	71,260	108,052	-
08/27/04	836,408	94,275	142,163	-
08/31/04	801,305	272,537	157,000	-
09/03/04	950,782	314,863	206,294	-
09/07/04	903,399	93,703	132,849	-
09/10/04	967,248	108,465	138,745	-
09/14/04	1,029,709	274,346	131,231	-
09/17/04	1,107,896	126,507	218,874	-
09/21/04	1,129,539	150,265	212,120	-
09/24/04	1,341,171	485,403	225,412	-
09/28/04	1,383,743	141,459	213,599	-
10/01/04	2,059,140	249,160	464,695	-

MEGA MILLIONS  
 VIRGINIA LOTTERY DEPARTMENT  
 DRAW ACTIVITY

EXHIBIT I

For the period ending March 31, 2005

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
10/05/04	826,036	71,326	185,798	-
10/08/04	864,846	111,371	131,300	-
10/12/04	821,022	95,271	125,817	-
10/15/04	937,312	304,062	240,629	-
10/19/04	926,930	103,695	148,307	-
10/22/04	1,055,904	132,142	169,819	-
10/26/04	1,023,918	109,872	165,921	-
10/29/04	1,156,879	298,768	223,668	-
11/02/04	1,177,078	142,659	167,755	-
11/05/04	1,328,797	318,757	268,387	-
11/09/04	1,478,385	370,637	237,952	-
11/12/04	1,960,791	558,726	316,107	-
11/16/04	2,177,903	278,225	458,617	-
11/19/04	2,687,112	477,137	443,521	-
11/23/04	840,888	85,531	119,300	-
11/26/04	805,997	91,485	169,588	-
11/30/04	882,016	109,169	146,822	-
12/03/04	993,248	123,631	132,316	-
12/07/04	792,241	89,699	165,407	-
12/10/04	851,131	87,225	168,660	-
12/14/04	827,651	99,607	144,001	-
12/17/04	949,386	115,156	113,920	-
12/21/04	945,696	122,558	172,717	-
12/24/04	1,204,216	328,882	242,751	-
12/28/04	1,004,204	278,239	220,794	-
12/31/04	1,351,071	137,640	226,417	-
01/04/05	1,229,370	227,323	335,704	-
01/07/05	1,467,863	325,893	290,122	-
01/11/05	1,615,493	365,104	270,625	-
01/14/05	2,165,118	929,239	366,835	-
01/18/05	2,266,559	276,779	521,925	-
01/21/05	902,446	98,952	127,868	-
01/25/05	761,018	86,261	185,885	-
01/28/05	907,231	94,631	117,928	-
02/01/05	909,536	455,590	204,826	-
02/04/05	1,037,529	294,603	194,196	-
02/08/05	1,055,853	146,120	199,636	-
02/11/05	1,185,965	133,715	198,756	-
02/15/05	1,184,439	140,687	204,446	-
02/18/05	1,469,851	151,044	270,446	-
02/22/05	1,567,166	336,773	277,623	-
02/25/05	1,956,935	397,869	368,314	-
03/01/05	2,278,312	425,225	358,835	-
03/04/05	1,007,351	305,457	209,850	-
03/08/05	870,715	145,429	242,185	-
03/11/05	1,001,995	294,109	182,001	-
03/15/05	993,214	287,500	183,086	-
03/18/05	1,079,658	138,378	143,614	-
03/22/05	1,078,020	462,622	198,998	-
03/25/05	1,223,987	129,273	150,813	-
03/29/05	1,224,572	130,849	212,370	-
Total	\$ 138,099,881	\$ 27,215,845	\$ 25,448,928	\$ -

MEGA MILLIONS  
VIRGINIA LOTTERY DEPARTMENT  
FIXED PRIZE ANALYSIS  
For the period ending March 31, 2005

EXHIBIT II

	Balance as of April 1, 2004 Receivable/ (Payable)	Prior Year Settlement Adjustment	Actual Prizes	Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In/(Out)	March 31, 2005 Receivable/ (Payable)
Georgia	\$ (271,770)	\$ 517	\$ 33,250,297	\$ 31,808,132	\$ 1,485,676	\$ (314,764)	
Illinois	291,478	690	36,261,727	36,708,727	(329,857)	175,025	
Massachusetts	(201,519)	202	16,434,713	17,411,696	(1,259,343)	81,043	
Maryland	297,525	(5,849)	16,645,631	17,840,605	(798,897)	(104,401)	
Michigan	(494,532)	578	34,783,018	34,888,329	(418,381)	(180,884)	
New Jersey	564,538	685	44,268,257	44,919,419	433,542	(519,481)	
New York	(439,256)	1,355	83,390,892	83,029,103	(265,153)	189,041	
Ohio	(457,066)	542	32,966,260	33,456,257	(1,346,805)	400,284	
Texas	(365,454)	740	35,447,364	36,660,325	(1,378,921)	(198,754)	
Virginia	632,980	364	27,215,845	25,448,928	2,125,168	275,093	
Washington	443,076	176	11,145,354	9,637,837	1,752,971	197,798	
Total	\$ -	\$ -	\$ 371,809,358	\$ 371,809,358	\$ -	\$ -	