

**STATE LOTTERY DEPARTMENT  
POWER BALL**

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

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**



# 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 Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Texas, and Washington (referred to as the "Member Lotteries"), which operate Power Ball, solely to assist the Virginia Lottery and Member Lotteries with respect to the evaluation of the following financial information associated with Power Ball: Virginia Lottery's sales and prize expense for the period January 31, 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 Power Ball. 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 January 31, 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 the following seven Power Ball drawings from the period January 31, 2010 through March 31, 2011:

February 17, 2010  
March 20, 2010  
July 31, 2010  
August 14, 2010

September 4, 2010  
September 18, 2010  
November 6, 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 Power Ball’s 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 Power Ball Prize Settlement Reports and found them to be in agreement.
- F. For the period identified in step “B” above, we randomly selected two months (February 2010 and April 2010) 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.
- 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 Power Ball 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 Power Ball. 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/clj

POWER BALL  
VIRGINIA LOTTERY DEPARTMENT  
VIRGINIA DRAW ACTIVITY  
From January 31, 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>
	2/3/2010	\$ 668,790	\$ 100,286	\$ 88,195
PB	2/6/2010	569,005	78,949	112,676
	2/10/2010	400,949	46,774	75,194
	2/13/2010	463,249	64,540	76,178
	2/17/2010	454,284	75,855	94,467
	2/20/2010	499,332	66,614	75,623
	2/24/2010	503,080	60,186	66,115
	2/27/2010	572,834	75,653	74,327
	3/3/2010	638,482	78,628	113,628
	3/6/2010	722,125	92,345	121,299
	3/10/2010	805,432	93,847	126,262
NJ	3/13/2010	993,039	123,241	168,848
	3/17/2010	486,845	69,045	78,663
	3/20/2010	506,951	71,286	79,768
	3/24/2010	500,595	65,173	113,651
	3/27/2010	558,424	70,234	74,943
	3/31/2010	554,729	89,639	90,822
	4/3/2010	674,813	104,219	119,193
	4/7/2010	673,665	77,678	101,116
	4/10/2010	766,866	96,941	134,245
	4/14/2010	799,847	105,698	162,163
	4/17/2010	999,734	135,981	145,792
PB	4/21/2010	1,152,612	334,878	213,796
	4/24/2010	520,034	63,611	114,107
	4/28/2010	474,708	273,338	99,616
	5/1/2010	568,433	65,801	89,377
	5/5/2010	552,911	66,625	97,332
	5/8/2010	608,352	291,814	161,344
	5/12/2010	633,296	78,846	101,324
	5/15/2010	724,877	109,822	136,603
	5/19/2010	759,409	88,929	138,632
	5/22/2010	826,192	94,809	107,470
	5/26/2010	850,330	133,605	185,861
	5/29/2010	1,029,482	141,693	201,101
OH	6/2/2010	1,211,471	141,292	192,965

POWER BALL  
 VIRGINIA LOTTERY DEPARTMENT  
 VIRGINIA DRAW ACTIVITY  
 From January 31, 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>
	6/5/2010	540,151	65,584	95,523
	6/9/2010	499,435	64,798	68,499
	6/12/2010	552,036	67,865	125,789
	6/16/2010	566,204	272,645	108,597
	6/19/2010	622,004	75,867	95,907
OH/PB	6/23/2010	626,322	79,661	111,076
	6/26/2010	493,818	59,800	64,533
	6/30/2010	471,771	55,808	61,651
	7/3/2010	547,977	67,880	102,482
	7/7/2010	513,514	62,956	80,842
PB	7/10/2010	598,833	83,818	92,414
	7/14/2010	432,967	52,944	151,928
	7/17/2010	475,594	87,456	121,759
	7/21/2010	469,916	68,392	80,264
	7/24/2010	541,429	63,305	83,821
	7/28/2010	525,318	77,522	105,147
PB	7/31/2010	629,996	74,032	79,010
	8/4/2010	426,662	46,140	53,273
	8/7/2010	458,496	56,404	74,623
	8/11/2010	429,456	76,498	92,760
	8/14/2010	513,522	56,131	63,954
	8/18/2010	490,369	58,914	63,106
PB	8/21/2010	597,317	319,889	234,182
	8/25/2010	406,707	59,336	71,033
	8/28/2010	444,390	65,241	67,592
	9/1/2010	440,835	65,600	102,242
	9/4/2010	516,339	61,608	83,473
	9/8/2010	487,481	57,626	100,498
	9/11/2010	581,972	67,704	130,223
	9/15/2010	587,627	68,696	90,315
GA	9/18/2010	718,101	89,456	107,126
	9/22/2010	427,029	49,461	83,394
	9/25/2010	476,054	68,654	67,341
	9/29/2010	435,248	51,247	67,562
	10/2/2010	522,161	79,606	72,043
PB	10/6/2010	491,956	58,689	79,757

POWER BALL  
 VIRGINIA LOTTERY DEPARTMENT  
 VIRGINIA DRAW ACTIVITY  
 From January 31, 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>
	10/9/2010	446,137	49,552	55,346
	10/13/2010	394,106	47,026	50,003
	10/16/2010	457,278	71,968	111,230
	10/20/2010	433,998	56,478	101,495
	10/23/2010	508,453	272,124	99,203
	10/27/2010	490,013	65,546	80,221
	10/30/2010	576,764	80,228	104,688
	11/3/2010	663,634	83,751	136,066
	11/6/2010	765,347	295,869	138,759
MI	11/10/2010	412,872	99,651	78,992
	11/13/2010	466,785	53,375	73,702
	11/17/2010	441,223	62,498	75,315
	11/20/2010	511,347	77,090	75,504
	11/24/2010	522,430	66,399	83,628
	11/27/2010	492,872	59,562	76,697
	12/1/2010	580,533	133,210	307,650
PB	12/4/2010	445,483	75,483	133,416
	12/8/2010	382,070	44,162	50,991
	12/11/2010	450,683	289,630	276,962
IL/PB	12/15/2010	377,009	248,083	92,426
	12/18/2010	414,685	50,521	74,274
	12/22/2010	419,369	53,647	58,944
	12/25/2010	435,151	52,592	84,025
NY	12/29/2010	372,450	48,450	55,196
	1/1/2011	453,262	49,720	60,145
	1/5/2011	501,694	65,136	71,546
	1/8/2011	487,038	62,219	76,779
	1/12/2011	477,158	68,283	80,248
	1/15/2011	582,666	73,595	135,910
	1/19/2011	586,848	65,225	70,575
	1/22/2011	723,554	285,492	147,914
NY	1/26/2011	358,391	63,127	74,266
	1/29/2011	426,568	279,651	70,071
	2/2/2011	416,995	45,123	53,662
	2/5/2011	514,416	61,202	85,127
	2/9/2011	488,147	68,765	80,164

POWER BALL  
 VIRGINIA LOTTERY DEPARTMENT  
 VIRGINIA DRAW ACTIVITY  
 From January 31, 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>
	2/12/2011	570,331	89,419	127,846
	2/16/2011	641,250	93,567	91,422
	2/19/2011	754,250	87,490	108,829
	2/23/2011	774,898	108,320	129,738
	2/26/2011	932,103	124,994	168,408
PB	3/2/2011	417,701	268,066	66,449
	3/5/2011	461,080	65,967	81,213
	3/9/2011	412,763	50,466	83,525
	3/12/2011	485,231	80,628	81,346
	3/16/2011	470,855	55,491	73,684
	3/19/2011	568,780	276,178	108,714
	3/23/2011	695,744	89,282	139,894
	3/26/2011	920,063	177,542	212,521
	3/30/2011	<u>811,120</u>	<u>90,155</u>	<u>122,806</u>
Total		<u>\$68,677,782</u>	<u>\$11,847,106</u>	<u>\$12,543,970</u>

POWER BALL  
 VIRGINIA LOTTERY DEPARTMENT  
 FIXED PRIZE ANALYSIS  
 From January 31, 2010 to March 31, 2011

Exhibit II

<u>State</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>	<u>Qrtly/Yrly Settlements Transfers In (Out)</u>	<u>Receivable (Payable)</u>
Georgia	\$ 15,018,981	\$ 16,419,679	\$(1,947,856)	\$ 547,158
Illinois	19,672,151	18,960,910	875,662	(164,421)
Maryland	11,388,378	11,819,041	(631,377)	200,714
Massachusetts	11,643,382	12,850,481	(596,705)	(610,394)
Michigan	14,395,855	15,933,845	(1,348,289)	(189,701)
New Jersey	27,176,431	26,548,029	750,919	(122,517)
New York	44,795,645	40,385,325	4,152,743	257,577
Ohio	12,308,008	12,039,063	522,157	(253,212)
POWER BALL				
Texas	20,285,237	20,186,504	58,384	40,349
Virginia	11,847,106	12,543,970	(1,033,432)	336,568
Washington State	<u>6,682,053</u>	<u>7,526,380</u>	(802,206)	(42,121)
Totals	<u>\$195,213,227</u>	<u>\$195,213,227</u>		