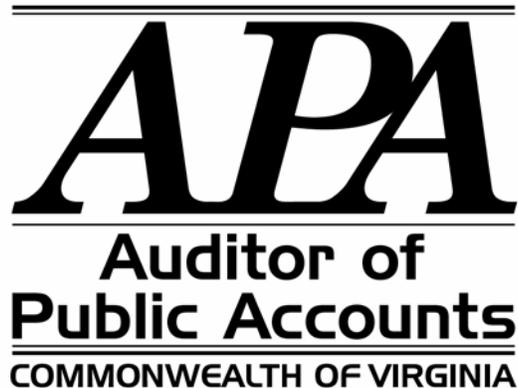


**STATE LOTTERY DEPARTMENT  
RICHMOND, VIRGINIA**

**REPORT ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
APRIL 1, 2003 THROUGH MARCH 31, 2004**





# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

August 13, 2004

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, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Texas, and Washington (referred to as the "Member Lotteries") who 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, 2003, through March 31, 2004, and the Virginia Lottery's receivable or payable as of March 31, 2004. 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 Mega Millions "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2003, through March 31, 2004, 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, 2003, to March 31, 2004, for testing as indicated in "C", "D", and "E" below.

April 11, 2003  
May 23, 2003  
July 8, 2003

February 24, 2004  
March 9, 2004

- 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 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 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 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, 2004, 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, 2004, 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

KJS:whb  
whb:35

Mega Millions  
Virginia State Lottery Department  
Draw Activity  
For the Period Ending March 31, 2004

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
4/1/2003	\$ 616,450	\$ 74,864	\$ 82,837	\$ -
4/4/2003	665,669	79,070	89,770	-
4/8/2003	640,273	252,808	156,288	-
4/11/2003	715,318	79,699	101,151	-
4/15/2003	719,601	78,990	116,501	-
4/18/2003	811,799	276,750	168,788	-
4/22/2003	820,406	123,459	125,855	-
4/25/2003	927,459	94,685	143,897	-
4/29/2003	609,099	82,384	109,103	-
5/2/2003	652,874	68,288	131,570	-
5/6/2003	643,213	68,727	75,428	-
5/9/2003	700,499	262,584	119,397	-
5/13/2003	704,821	70,087	106,301	-
5/16/2003	807,275	93,794	144,310	-
5/20/2003	809,977	443,506	140,516	-
5/23/2003	945,179	634,998	228,985	-
5/27/2003	960,161	1,018,926	284,402	-
5/30/2003	1,137,397	144,613	249,347	-
6/3/2003	1,252,616	323,278	299,050	-
6/6/2003	1,566,451	349,649	245,951	-
6/10/2003	1,884,161	205,582	315,882	-
6/13/2003	2,466,780	281,399	440,887	-
6/17/2003	3,001,873	847,266	510,111	-
6/20/2003	4,380,132	720,349	983,723	-
6/24/2003	803,972	82,565	152,893	-
6/27/2003	769,836	96,631	107,053	-
7/1/2003	778,217	73,422	120,099	-
7/4/2003	812,609	285,888	170,855	-
7/8/2003	923,470	286,652	216,991	-
7/11/2003	987,014	488,828	288,434	-
7/15/2003	707,981	76,906	104,718	-
7/18/2003	742,627	72,118	88,232	-
7/22/2003	718,215	96,615	102,751	-
7/25/2003	800,506	253,840	157,594	-
7/29/2003	811,162	91,046	132,794	-
8/1/2003	918,090	270,030	131,480	-

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
8/5/2003	948,905	269,889	161,209	-
8/8/2003	1,057,728	111,862	147,208	-
8/12/2003	692,162	71,393	91,403	-
8/15/2003	720,538	80,805	130,817	-
8/19/2003	700,179	93,104	185,403	-
8/22/2003	774,395	91,112	136,263	-
8/26/2003	760,999	73,473	114,839	-
8/29/2003	857,028	273,069	149,924	-
9/2/2003	847,485	98,981	164,047	-
9/5/2003	972,503	126,808	196,322	-
9/9/2003	1,022,121	109,532	155,090	-
9/12/2003	1,149,954	294,380	190,308	-
9/16/2003	1,237,645	491,719	232,732	-
9/19/2003	890,485	115,093	183,273	-
9/23/2003	1,479,087	161,806	247,936	-
9/26/2003	1,997,906	571,604	308,236	-
9/30/2003	2,366,699	399,460	332,898	-
10/3/2003	766,151	72,008	92,042	-
10/7/2003	711,121	249,267	140,813	-
10/10/2003	710,522	81,699	108,840	-
10/14/2003	685,849	72,151	88,685	-
10/17/2003	753,283	76,691	103,847	-
10/21/2003	775,017	242,741	114,936	-
10/24/2003	822,076	104,910	157,780	-
10/28/2003	834,526	91,550	134,400	-
10/31/2003	937,658	477,451	179,633	-
11/4/2003	1,035,287	112,637	162,755	-
11/7/2003	1,151,733	152,170	244,253	-
11/11/2003	1,241,660	168,550	254,928	-
11/14/2003	738,561	780,312	155,578	-
11/18/2003	694,480	72,926	123,954	-
11/21/2003	744,286	121,508	94,896	-
11/25/2003	756,711	250,348	142,930	-
11/28/2003	773,943	261,549	113,885	-
12/2/2003	873,416	102,926	167,556	-
12/5/2003	905,250	287,291	173,425	-
12/9/2003	972,145	287,984	149,912	-
12/12/2003	1,113,234	303,451	180,150	-
12/16/2003	1,236,818	121,296	217,501	-
12/19/2003	1,501,572	163,655	290,129	-
12/23/2003	2,278,135	435,015	399,882	-
12/26/2003	2,424,758	314,136	492,463	-

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes Purchased by Virginia
12/30/2003	3,901,953	608,765	732,120	-
1/2/2004	905,414	106,712	147,718	-
1/6/2004	803,096	284,934	159,522	-
1/9/2004	832,842	86,041	137,540	-
1/13/2004	879,445	106,746	137,333	-
1/16/2004	952,224	104,544	122,170	-
1/20/2004	974,097	126,734	232,594	-
1/23/2004	1,107,839	119,475	203,639	-
1/27/2004	927,436	281,632	157,638	-
1/30/2004	1,282,941	122,535	229,190	-
2/3/2004	1,464,572	357,871	264,621	-
2/6/2004	1,906,963	399,882	425,808	-
2/10/2004	2,225,007	669,353	522,865	-
2/13/2004	2,737,711	464,543	468,278	-
2/17/2004	3,192,560	529,570	574,528	-
2/20/2004	6,061,546	1,143,510	1,283,564	239,000,000
2/24/2004	929,890	100,326	140,752	-
2/27/2004	943,994	291,229	135,356	-
3/2/2004	973,067	642,958	234,841	-
3/5/2004	916,656	107,044	189,947	-
3/9/2004	863,118	84,242	123,032	-
3/12/2004	949,952	293,851	157,762	-
3/16/2004	942,653	90,620	149,023	-
3/19/2004	1,044,391	302,903	171,267	-
3/23/2004	1,038,968	117,567	182,020	-
3/26/2004	1,160,933	316,737	190,957	-
3/30/2004	1,186,207	146,962	226,928	-
Total	\$ 123,232,668	\$ 25,695,894	\$ 22,458,038	\$ 239000000

Mega Millions  
Virginia State Lottery Department  
Fixed Prize Analysis  
For the Period Ending March 31, 2004

	April 1, 2003 Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	March 31, 2004 Receivable (Payable)
Georgia	\$ (308,599)	\$ 30,824,782	\$ 32,215,274	\$ (1,427,321)	\$ (271,770)
Illinois	(305,081)	39,170,314	41,126,792	(2,553,037)	291,478
Maryland	(211,486)	14,389,926	15,411,447	(1,530,532)	297,525
Massachusetts	120,656	16,303,463	16,282,628	343,010	(201,519)
Michigan	(307,065)	36,330,293	34,892,477	1,625,283	(494,532)
New Jersey	847,049	44,841,385	45,322,933	(199,037)	564,538
New York	(104,397)	85,771,699	87,042,469	(935,911)	(439,256)
Ohio	(47,961)	36,147,850	33,872,645	2,684,310	(457,066)
Texas	-	16,291,867	16,559,304	98,017	(365,454)
Virginia	341,489	25,695,894	22,458,038	2,946,365	632,980
Washington	(24,605)	9,632,013	10,215,479	(1,051,147)	443,076
Total	\$ -	\$ 355,399,486	\$ 355,399,486	\$ -	\$ -

