Audit Report

Core Unit Name: IS
Audit ID: 2022-05-IS001
Audit Cycle: 2022 - 05 /1
Audit Date: 07-26-2022
Audit Result: IS Needs CU Action
Submission Date: 07-23-2022
Facilitator contact: @psychonaut#7023
Core Unit Clarification Received on Date:
Transparency Report: https://github.com/makerdao-is/transparency-reporting/blob/main/Monthly%20Budget%20Statements/2022-06.md
MIP4c2-SP17: https://forum.makerdao.com/t/mip4c2-sp17-rapid-payment-for-small-bug-bounties-mip64-mip40c3-sp42-amendment/12869
MIP40c3-SP58: https://forum.makerdao.com/t/mip40c3-sp58-modify-core-unit-budget-immunefi-security-core-unit-budget-is-001/12598
MIP40c3-SP42: https://forum.makerdao.com/t/mip40c3-sp42-adding-immunefi-security-core-unit-budget-is-001/10813
MIP40c3-SP41: https://forum.makerdao.com/t/mip40c3-sp41-immunefi-security-core-unit-mkr-budget-is-001/10814

Approved				
Approved with comments				
Needs action before approval				
Escalate				

#	Audit Question	🟢	🟡	🟠	🔴	Audit Assessment	Core Unit´s Clarification	Immediate CU Action to Improve Monthly Budget Statement	Medium Term CU Action to Improve Monthly Budget Statement
	Audit Questions to the Structure of the Monthly Budget Statement and consistency with IS MIP40c3-SP58					Note.- IS Budget MIP40c3-SP58 was ratified on 02-28-2022 and MIP4c2-SP17 was ratified on 03-28-2022			
0.1	Are the sections in the Monthly Budget Statement in the right order: Actuals, Forecast, MKR vesting and Transfers?	☑	☐	☐	☐	Yes.			
0.2	Does the Actual section include breakdowns with Budget Category, Forecast, Actuals, Difference, Payments and Reason for the diff. ?	☑	☐	☐	☐	Yes.			
0.3	Does the Budget Forecast summary contain the Qly budget cap?	☑	☐	☐	☐	Yes. IS has added the approved Bounty payout budget of 100,000 +15% per month from April 2022. https://mips.makerdao.com/mips/details/MIP40c3SP58#sentence-summary https://forum.makerdao.com/t/mip4c2-sp17-rapid-payment-for-small-bug-bounties-mip64-mip40c3-sp42-amendment/12869			
0.4	Does the Budget Forecast cover 3 months with a summary and Budget Category breakdown?	☑	☐	☐	☐	Yes.			
0.5	Does the Budget Forecast summary and breakdown contain the budget caps for comparison?	☑	☐	☐	☐	Yes. IS has a periodic budget cap and one time costs.			
0.6	Are the Budget Forecast Breakdown categories in the Monthly Budget Statement the same as in the MIP40c3-SP58 and MIP4c2-SP17?	☑	☐	☐	☐	No. The IS-specific budget categories nomenclature was replaced with the SF standard chart of accounts nomenclature as of June 2022.			
0.7	Is the Multi-sig wallet setup the same as described in the MIP40c3-SP58?	☑	☐	☐	☐	Yes: IS Operational Wallet quorum (2:3) Controlled by the IS Core Unit team Address: 0x124c759D1084E67B19a206ab85c4527Fab26c342 Signers 0x2BC5fFc5De1a83a9e4cDDfA138bAEd516D70414b 0xAcAf835934eE40E0d5ee3F941E283499F8Ad97eD 0xFfC87601A80d3e4F0aF083a899e3fee203C23cF0			
0.8	Is the IS operational wallet controlled by more than 1 signer?	☑	☐	☐	☐	Yes, the IS operational wallet has a current policy of 2 out of 3 signers			
0.9	Has the IS auditor wallet received the initial seed funds from the protocol prior transfer to the IS Operational Wallet?	☑	☐	☐	☐	**Yes, the auditor wallet has received 195,443 DAI from the protocol** https://etherscan. io/tx/0xab810a967ba4a68862c4433ec4185fbe1a3ff121bf4b38535a2aab4a8e9908a4 The MIP40c3-SP42 total budget cap less contingency buffer is 106,250 DAI. This initial transfer includes yearly and one time costs described in the MIP.			
0.10	Has the IS auditor wallet received the initial funds for the operational audits from the protocol prior transfer to the IS Operational Wallet?	☑	☐	☐	☐	**Yes, the auditor wallet has received 138,000 DAI from the protocol on March 6, 2022** https://etherscan. io/tx/0x25a0b1ac21cb1a70f76d14687c56025133d987ebc37d6e538e7a5e7764083600			
0.11	Has the IS Operational wallet received a top-up after the audit of the last Monthly Budget Statement?	☐	☑	☐	☐	No, the IS Operational wallet did not receive a top up due to plenty of unused funds. https://gnosis-safe.io/app/eth: 0x124c759D1084E67B19a206ab85c4527Fab26c342/transactions/history			
	Audit Questions to the Monthly Budget Statement - Section 1. Last Month Actuals -								
1.1	Is the actuals budget category breakdown the same as in the MIP40c3-SP58?	☑	☐	☐	☐	Yes.			
1.2	Is the transparency report actual´s forecast the same as the last published forecast for the same month?	☑	☐	☐	☐	Yes.			
1.3	Are the differences between forecast and actuals explained in the transparency report?	☑	☐	☐	☐	Yes.			
1.4	Are the IS actual expenses within the MIP40c3-SP458 total buget cap?	☑	☐	☐	☐	Yes.			
1.5	Are the IS actual expenses within the total MIP40c3-SP58 budget cap for the current quarter?	☑	☐	☐	☐	Yes.			

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1.6	Has the Admin Expense any significant deviations between forecast and actuals?	☑	☐	☐	☐	Yes. The forecast is 100,000 and the actuasl is 0.	IS explains that the difference is due to "no bug bounties."		
1.7	Has the IS Compensation and Benefits any significant deviations between forecast and actuals?	☑	☐	☐	☐	Yes. The forecast is 22,500 and the actual expense is 14,168. The difference is 14,168.	IS explains in the budget statement that the difference is due to " Regarding Compensation & Benefits, Travin decided to forfeit the remainder of		
1.8	Has the IS Professional Services any significant deviations between forecast and actuals?	☑	☐	☐	☐	Yes, the forecast is 65,000 and the actual expense is 50,000, this gives a difference of 15,000.	The difference is due to "Regarding Professional Services, we did not use ChainSecurity. Immunefi mistakenly invoiced us for 50k instead of 55k."		
1.9	Has the IS Gas fees any significant deviations between forecast and actuals?	☑	☐	☐	☐	Yes. The forecast is 1,000 and the actual expense is 0.	No purchase of ETH in June 2022.		
2.0	Has the IS Software Expense any significant deviations between forecast and actuals?	☑	☐	☐	☐	No.			
2.1	Has the IS presented the correct calculation of amounts for the actuals, forecast and difference?	☑	☐	☐	☐	Yes.			
2.2	Has the IS Actuals Section any budget category that seems inconsistent and needs further investigation?	☑	☐	☐	☐				
2.3	Other observations	☐	☐	☐	☐	No.			
	Audit Questions to the Monthly Budget Statement - Section 2. Budget Forecast -								
2.1	Are the budget caps (both totals and per category) the same as in the MIP40c3-SP58 and MIP4c2-SP17?	☑	☐	☐		IS has added the Bounty Payout budget category to its forecast since April 2022. The IS CU has, per March 28th, 2022, an approved budget of 100,000 + 15% = 115,000 DAI per month to be used for bug bounty payments that are categorized as admin expenses.			
2.2	Are the quarterly forecast within the bounds of the MIP40c3-SP58 and MIP4c2-SP17 budget caps?	☑	☐	☐		Yes.			
2.3	Are the quarterly forecast totals within the approved MIP40c3-SP58 and MIP4c2-SP17 budget caps?	☑	☐	☐		Yes.			
2.4	Has the IS presented the correct calculation of amounts in the Budget Forecast section?	☑	☐	☐		IS has a periodic budget that is calculated based on the information given in the budget MIPs.			
2.5	Is there a year to date forecast versus expenses observation	☑	☐	☐		No.			
2.6	Other observations	☐	☐	☐	☐	No.			
	Audit Questions to the Monthly Budget Statement - Section 3. MKR Vesting Overview -								
3.1	Has IS indicated the number of FTE in the Monthly Budget Statement´s MKR vesting overview?	☑	☐	☐	☐	Yes.			
3.2	Has the MKR vesting overview the same FTE comparing it to the MIP40c3-SP41?	☑	☐	☐	☐	Yes.			

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3.3	Are the MKR vesting dates the same as in the MIP40c3-SP41?	☑	☐	☐	☐	Yes.			
3.4	Has IS changed the MKR amounts comparing it to the MIP40c3-SP41?	☑	☐	☐	☐	No.			
3.5	Has IS explained the MKR change in the Monthly Budget Statement?	⬛	⬛	⬛	⬛	This control can only be made if the answer to the above question is yes.			
	Audit Questions to the Monthly Budget Statement - Section 4. Transfers -								
4.1	Does the IS Operational Wallet balances match the Monthly Budget Statement current balance in the calculation made for the new transfer?	☐	☐	☑	☐	No. The budget statement operational wallet balance is 447,276 and the current wallet balance is 439,250.35677263.		IS needs to correct the balance amount in the June 2022 budget statement.	
4.2	Are the payments from the operational wallet the same as in the actuals payments?	☐	☐	☑	☐	No. The payment's total amount, according to the budget statement, is 64,194, however there are no on-chain payments registered in the operational wallet.		IS needs to clarify the discrepancy btw the budget statement reported payments and the IS operational wallet missing payments.	
4.3	Has the IS Auditor wallet sufficient funds to top up the IS operational wallet?	☑	☐	☐	☐	There is no need for a transfer of funds to the operational wallet. The IS Auditor wallet balance is 138,920.33678326 DAI on July 26th, 2022. IS has an excess of 82,173 DAI in the IS operational wallet. IS will return the excess to the auditor wallet.			
4.4	Does IS Operational wallet need to return excess funds to the auditor wallet based on the June 2022 budget report?	☑	☐	☐	☐	Yes. IS needs to return 82,173 DAI.			
4.5	Does IS Auditor wallet needs to return excess funds to the MakerDAO Protocol based on the Maj 2022 budget report?	☑	☐	☐	☐	No.			