

Audit Report

Core Unit Name: IS
Audit ID: 2022-05-IS001
Audit Cycle: 2022 - 05 /2
Audit Date: 07-07-2022
Audit Result: IS Needs CU Action
Submission Date: 06-29-2022
Facilitator contact: @psychonaut#7023

Core Unit Clarification Received on Date: 07-06-2022

Transparency Report: <https://github.com/makerdao-is/transparency-reporting/blob/main/Monthly%20Budget%20Statements/2022-05.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>

#		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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
0.2		Does the Actual section include breakdowns with Budget Category, Forecast, Actuals, Difference, Payments and Reason for the diff. ?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
0.3		Does the Budget Forecast summary contain the Qly budget cap?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
0.5		Does the Budget Forecast summary and breakdown contain the budget caps for comparison?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. IS has a periodic budget cap and a 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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	IS added the bounty payout budget category in the Budget Forecast Breakdown, the company set up category is not included in the budget forecast.			
0.7		Is the Multi-sig wallet setup the same as described in the MIP40c3-SP58?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes: IS Operational Wallet quorum (2:3) Controlled by the IS Core Unit team Address: 0x124c759D1084E67B19a206ab85c4527Fab26c342 Signers 0x2B9C5ffc5De1a83a9e4cDdFA138bAEd516D70414b 0xAcAf835934eE40E0d5ee3F941E283499F8AD97eD 0xFfC87601A80d3e4F0aF083a899e3fee203C23cF0			
0.8		Is the IS operational wallet controlled by more than 1 signer?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes, the auditor wallet has received 195,443 DAI from the protocol https://etherscan.io/tx/0xab810a967ba4a68862c4433ec4185fbc1a3ff121b4b38535a2aab4a8e9908a4 The MIP40c3-SP42 total budget cap less contingency buffer is 106,250 DAI. This initial transfer included operational seed funds as described in the MIP40c3-SP58.			
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No, the IS Operational wallet did not receive a top up due to plenty of unused funds in the operational wallet and due to April audit delay. 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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
1.2		Is the transparency report actual's forecast the same as the last published forecast for the same month?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
1.3		Are the differences between forecast and actuals explained in the transparency report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
1.4		Are the IS actual expenses within the MIP40c3-SP458 total buget cap?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
1.5		Are the IS actual expenses within the total MIP40c3-SP58 budget cap for the current quarter?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. There is a delay of payments from previous months.			

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#	Audit Question	Approved	Approved with comments	Needs action before approval	Disapprove	Audit Assessment	Core Unit's Clarification	Immediate CU Action to Improve Monthly Budget Statement	Medium Term CU Action to Improve Monthly Budget Statement
1.6	Has the Bounty Payout any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. The forecast is 100,000 and the actual is 75,000, this gives a positive difference of 25,000.	IS explains that the difference is due to "Bounties were paid for two bugs: bug 5570 was paid 50,000 and bug 5700 was paid 25,000. In both bugs, Immunefi made errors and decided to waive the 10% bounty fee."		
1.7	Has the IS ChainSecurity fees any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. The forecast is 10,000 and the actual expense is 0.	IS explains in the budget statement that the difference is due to "no usage."		
1.8	Has the IS DeFi Safety any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes, the forecast is 5,100 and the actual expense is 0.	The difference is due to "no usage."		
1.9	Has the IS Facilitator fee any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. The forecast is 10,417 and the actual expense is 0.	IS explains that the difference is due to "wallet not set up"		
1.10	Has the IS Deputy Facilitator fee any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No, there is a perfect match.			
1.11	Has the IS Company set up fees any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The category company set up is not included in the actuals for Maj 2022.			
1.12	Has the IS Gas fees any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. The forecast is 1,000 and the actual expense is 0.	No gas expense in Maj 2022.		
1.13	Has the Immunifi fees any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. The forecast is 45,000 and the actuals is 0.	IS explains that the difference is due to "wallet not set up"		
1.14	Has the IS Operational audit fees any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. The forecast is 120,000 and the actuals is 0.	The difference is due to "no usage."		
1.15	Has the IS Software and Infrastructure any significant deviations between forecast and actuals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. IS corrected the diff. The forecast is 232 and the actual expense is 232.			
1.16	Has the IS presented the correct calculation of amounts for the actuals, forecast and difference?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The total sum of the Difference in the actuals table was updated after the diff. amount correction.			
1.17	Has the IS Actuals Section any budget category that seems inconsistent and needs further investigation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No.			
1.18	Other observations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The reasons for the delay of payments such as wallets not ready should be addressed asap. IS is in the process of setting up the wallets and will settle pending invoices in June 2022.			
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	IS has added the Bounty Payout budget category to its forecast for 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.			
2.2	Are the quarterly forecast within the bounds of the MIP40c3-SP58 and MIP4c2-SP17 budget caps?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No, the total Immunifi forecast is 75,000 and the total budget cap + buffer is 34,500. The total forecast facilitator is 16,667 and the budgetcap+buffer is 7,188.	IS explains that the higher forecast amounts is due to the delay in the payment of invoices.		
2.3	Are the quarterly forecast totals within the approved MIP40c3-SP58 and MIP4c2-SP17 budget caps?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The total forecast is within the approved Budget Cap + buffer, however some individual budget categories are over the individual budget Cap + Buffer.	IS explains that the higher forecast amounts is due to the delay in the payment of invoices.		
2.4	Has the IS presented the correct calculation of amounts in the Budget Forecast section?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	IS has a periodic budget that is calculated based on the information given in the budget MIPs.		IS should update the Budget cap for Operational audits to 60,000 that covers the period of June, July and Aug 2022. The budget cap + buffer should be updated to 69,000.	

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2.5	Is there a year to date forecast versus expenses observation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	There is a notorious delay in the use of funds.			IS needs to improve the forecast and return the funds in excess. The rules that apply are: Excess DAI Transactions – DAI transactions for Operational Wallets that have a balance above the 3-Month Budget Forecast will be returned to the Auditor Wallet. The Auditor Wallet will return any amount of DAI above 2x the Monthly Budget Cap. The Auditor Wallet, using the DssBlow contract described here, will return the excess DAI directly to the surplus buffer.
2.6	Other observations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	IS has changed the forecast for operational audits and ChaosLabs to 0 until it becomes relevant to add them to the forecast as suggested by previous audit report.			
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
3.2	Has the MKR vesting overview the same FTE comparing it to the MIP40c3-SP41?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
3.3	Are the MKR vesting dates the same as in the MIP40c3-SP41?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes.			
3.4	Has IS changed the MKR amounts comparing it to the MIP40c3-SP41?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No.			
3.5	Has IS explained the MKR change in the Monthly Budget Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	IS corrected the balance in the Maj 2022 budget report to 447,276.10 DAI.			
4.2	Are the payments from the operational wallet the same as in the actuals payments?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. The payments amount of 95,231.87 DAI matches the operational wallet outflow.			
4.3	Has the IS auditor wallet sufficient funds to top up the IS operational wallet?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes. The IS Auditor wallet balance is 138,920.33678326 DAI on July 5th, 2022. IS is requesting a transfer of 7,468 DAI.			
4.4	Does IS Operational wallet need to return excess funds to the auditor wallet based on the Maj 2022 budget report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No.			
4.5	Does IS Auditor wallet needs to return excess funds to the MakerDAO Protocol based on the Maj 2022 budget report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No.			