

## Audit Report

Core Unit Name: DUX

Audit ID: 2022-07-DUX-001

Audit Cycle: 2022-07/1

Audit Date: 08-09-2022

CU published BS date: 08-08-2022

Audit Result: Needs CU Action

Facilitator contact: @venture

Core Unit Clarification Received Date:

Transparency Report: <https://github.com/makerdao-dux/transparency-reporting/blob/main/Monthly%20Budget%20Statements/2022-07.md>

MIP40c3-SP26: <https://forum.makerdao.com/t/mip40c3-sp26-development-ux-core-unit-budget-dux-001/9774>

MIP40c3-SP52: <https://forum.makerdao.com/t/mip40c3-sp52-development-ux-core-unit-budget-dux-001/12085>

MIP40c3-SP27: <https://forum.makerdao.com/t/mip40c3-sp27-development-ux-core-unit-mkr-budget-dux-001/9777>



| #    | Audit Question  |                                     |                          |                          |                          | Audit Assessment  | Core Unit's Clarification | Immediate CU Action to improve transparency report | Medium Term CU Action to improve transparency report   |
|------|---|-------------------------------------|--------------------------|--------------------------|--------------------------|---|---------------------------|--|--|
|      | Audit Questions to the structure of the transparency report and consistency with DUX MIP40c3-SP52                       |                                     |                          |                          |                          |   |                           |  |  |
| 0.1  | Are the sections in the transparency report 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 per wallet with Budget Category, Forecast, Actuals, Difference and Payments? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.  |                           |  |  |
| 0.3  | Does the budget forecast cover 3 months with summary and budget category breakdown?                                     | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.  |                           |  |  |
| 0.4  | Does the budget forecast summary and breakdown contain the quarterly budget caps for comparison?                        | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.  |                           |  |  |
| 0.5  | Does the budget forecast summary contain the Global/total budget cap?   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.  |                           |  |  |
| 0.6  | Are the budget forecast categories in the transparency report the same as in the MIP40c3-SP52?                          | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.  |                           |  |  |
|      | Is the operational wallet Multi-sig wallet setup the same as described in the MIP40c3-SP52?                             | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | No. DUX clarified the change of wallet address for one team member in Feb 2022. ETH address eth: 0xEd1cC76C86AaE8eA08b1B918aB2eDc4A1465745c was added February 8th 2022 and eth: 0xf666e9288BDEfD84A9DEE179Ac226be16ec850DA was removed on February 9th 2022.<br><br>Operational wallet controlled by the current DUX Core Unit team Address: 0x8Cd0ad5C55498Aacb72b6689E1da5A284C69c0C7 Signers eth:0x14341f81dF14cA86E1420eC9e6Abd343Fb1c5bfc eth:0x388e9e5a889C4cDF3f752C1AFcF88875BD6E673eE eth:0x8967A9ad5097adb8603922A0b34d0633cb2daD6d eth:0xD797d7ea4B440aA933c9DdABeBCF1C879F0a1018 eth:0xda8E5b5DD147589BE382a5Dfe2602754A9f9342A eth:0xEd1cC76C86AaE8eA08b1B918aB2eDc4A1465745c |                           |  | The Budget Implementation diagram in the MIP40c3-SP52 was updated with the new operational wallet eth address eth: 0xEd1cC76C86AaE8eA08b1B918aB2eDc4A1465745c and the removal of eth address eth: 0xf666e9288BDEfD84A9DEE179Ac226be16ec850DA |
| 0.7  | Is the DUX operational wallet controlled by more than 1 signer?   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes, the DUX operational wallet has a current policy of 3 out of 6 signers  |                           |  |  |
| 0.8  |   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |   |                           |  |  |
|      | Is the auditor's wallet Multi-sig wallet setup the same as described in the MIP40c3-SP52?                               | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes. The Auditor Wallet requires 2 out of 2 confirmations. Auditor's wallet eth address: eth: 0x5A994D8428CCEbCC153863CCdA9D28e6352f89ad Signers: Accountant role wallet eth: 0xA2A855Ac8D2a92e8A5a437690875261535c8320C Auditor role wallet eth: 0xB2da57e224949acDDe173a5b8A8160c023ea86e6  |                           |  |  |
| 0.9  |   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |   |                           |  |  |
|      | Has the DUX auditor wallet receive funds from the protocol?   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The Auditor Wallet received 322,383 DAI from the protocol on July 25, 2022. <a href="https://gnosis-safe.io/app/eth:0x5A994D8428CCEbCC153863CCdA9D28e6352f89ad/transactions/history">https://gnosis-safe.io/app/eth:0x5A994D8428CCEbCC153863CCdA9D28e6352f89ad/transactions/hist</a><br><a href="https://gnosis-safe.io/app/eth:0x5A994D8428CCEbCC153863CCdA9D28e6352f89ad/transactions/hist">ory</a>   |                           |  |  |
| 0.10 |   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |   |                           |  |  |
|      | Has the DUX auditor wallet sufficient funds to top up the Dux operational wallet?                                       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes. The Auditor Wallet current balance is 283,564.43156237 DAI on August 11th, 2022.   |                           |  |  |
| 0.11 |   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |   |                           |  |  |
|      | Has the DUX operational wallet received a top-up after the audit of the last transparency report?                       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes, the DUX operational wallet received the top-up amount 119,301 DAI as requested in the June 2022 Budget Statement. <a href="https://etherscan.io/tx/0xae0d136eabf3415884ab1d69685997528a75f0c43294b035767a">https://etherscan.io/tx/0xae0d136eabf3415884ab1d69685997528a75f0c43294b035767a</a>  |                           |  |  |
| 0.12 |   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |   |                           |  |  |
|      | Audit Questions to Transparency Report - Section 1. Last Month Actuals -  |                                     |                          |                          |                          |   |                           |  |  |

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|   |   |                                     |                                     |                                     |                          |   |  |  |  |
|---|---|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------|---|--|--|--|
| 1.1   | Is the actuals budget category breakdown the same as in the MIP40c3-SP52?                                 | <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 forecast last published 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 DUX actual expenses within the monthly MIP40c3-SP52 budget cap?                                   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | Yes.  |  |  |  |
| 1.5   | Are the DUX actual expenses within the Global/total MIP40c3-SP52 budget cap?                              | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | Yes.  |  |  |  |
| 1.6   | Has the DUX contributor fees any significant deviations between forecast and actuals?                     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | The forecast is 85,000 DAI and the actual expense is 83,000.66 DAI, this results in a positive difference of 2,000.   |  |  |  |
| 1.7   | Has the DUX travel costs any significant deviations between forecast and actuals?                         | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | No.   |  | DUX should review the travel expense actuals, please see comment on this report's point 4.2.   |  |
| 1.8   | Has the DUX IT Infrastructure and services costs any significant deviations between forecast and actuals? | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | Yes, the forecast is 5,000 DAI and the actual expense is 12,307.08 DAI, which gives a negative difference of 7,307.08 DAI   | DUX explains in the budget report that the difference is due to "Unexpected increase in costs due to high traffic in governance portal." |  |  |
| 1.9   | Has the DUX gas fees any significant deviations between forecast and actuals?                             | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No.   |  |  |  |
| 1.10  | Has the DUX Legal Services costs any significant deviations between forecast and actuals?                 | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No.   |  |  |  |
| 1.11  | Has the DUX one-time expense any significant deviations between forecast and actuals?                     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | Yes, the forecast is 500 DAI, and the actual expense is 4,830.  | DUX explains that the difference is due to "2 team members used their welcome package."  |  |  |
| 1.12  | Has the DUX Payment Services any significant deviations between forecast and actuals?                     | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There is an error in the reporting of the 15,000 top-up, it should not be part of the Actuals as it is a top-up transaction and not a real expense incurred as expenses did not happen yet or if they happened, they should be captured in the correct expense category, e.g., airfare paid by credit card, should be registered as a travel expense. |  | DUX needs to review and correct the data in the Actuals table. Remove the 15,000 from the actuals and correct the Actuals total. To clarify the use of 15,000 top-up add a sentence below the Actuals table section and explain that 15,000 was used to top-up a credit card that will be used to pay business expenses. However, there is also a discrepancy in the payment values. Please see the audit assessment noted on point 4.2 first. |  |
| 1.13  | Has the DUX Contractor Services any significant deviations between forecast and actuals?                  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No.   |  |  |  |
| 1.14  | Has the DUX presented the correct calculation of amounts for the actuals, forecast and difference?        | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | No. Calculation for the diff. btw. forecast and actuals in the payments services category should be corrected, as well as the total amounts (Actual, Diff. and Payments) in the Actuals table.  |  | DUX needs to check and correct the calculation in this section as indicated under assessment.  |  |
| 1.15  | Has the DUX any budget category that seems inconsistent and needs further investigation?                  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No.   |  |  |  |
| Audit Questions to Transparency Report - Section 2. Budget Forecast - |   |                                     |                                     |                                     |                          |   |  |  |  |
| 2.1   | Does the transparency report display the MIP40c3-SP52 caps for both total and budget categories?          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | Yes.  |  |  |  |
| 2.2   | Are the monthly and quarterly budget caps (both totals and per category) the same as in the MIP40c3-SP52? | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | Yes.  |  |  |  |
| 2.3   | Are the quarterly forecast within the bounds of the MIP40c3-SP52 budget caps?                             | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | Yes.  |  |  |  |
| 2.4   | Are the monthly forecast totals within the MIP40c3-SP52 monthly budget cap?                               | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | Yes.  |  |  |  |

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|                              |
|------------------------------|
| Approved                     |
| Approved with comments       |
| Needs action before approval |
| Rejected                     |

|  |   |                                     |                          |                                     |                          |   |  |  |  |
|--|---|-------------------------------------|--------------------------|-------------------------------------|--------------------------|---|--|--|--|
| 2.5  | Has the DUX presented the correct calculation of amounts for the budget forecast?   | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | No. The total forecast for Oct. in the budget forecast section is 108,160. Please correct to 105,160. Also, the 3-month forecast total needs correction from 331,760 to 328,760.  |  | DUX needs to correct the total forecast for Oct. and the 3-month total amount.   |  |
| Audit Questions to Transparency Report - Section 3. MKR Vesting Overview - |   |                                     |                          |                                     |                          |   |  |  |  |
| 3.1  | Has the DUX indicated the number of FTE in the transparency report's MKR vesting overview?  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | Yes, the FTE is included in the MKR Vesting overview section of the transparency report.  |  |  |  |
| 3.2  | Has the MKR vesting overview the same FTE comparing it to the MIP40c3-SP27?   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | No. The FTE has changed from 6.0 to 5 people working full time and 1 person working 60%.  |  |  |  |
| 3.4  | Are the MKR vesting dates the same as in the MIP40c3-SP27?  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | No, the MIP40c3-SP27 includes the following vesting date December 2021 = 0 MKR. However, all other vesting dates are the same as in the MIP40c3-SP27.   |  |  |  |
| 3.5  | Is the MKR total budget cap in the transparency report the same as in the approved MIP40c3-SP27?                                    | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | Yes.  |  |  |  |
| 3.6  | Has DUX changed the MKR amounts comparing it to the last published transparency report?   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | No.   |  |  |  |
| 3.7  | Has DUX explained the MKR change in the transparency report?  | <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.   |  |  |  |
| 3.8  | Other observations  | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | No.   |  |  |  |
| Audit Questions to Transparency Report - Section 4. Transfers -            |   |                                     |                          |                                     |                          |   |  |  |  |
| 4.1  | Does the DUX operational wallet balance match the transparency report current balance in the calculation made for the new transfer? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | Yes. The balance is 198,111.44 DAI.   |  |  |  |
| 4.2  | Are the payments from the operational wallet the same as in the actuals payments?   | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | No, DUX reported the payment of a total 98,000 DAI. Please review the reported on-chain payments. The budget statement reports 117,358 DAI. However, the outflow trx. on-chain = 125,788.56 DAI, which breaks down into 117,938.56 to Accountable, and 7,850.00 is a Direct payment. DUX should add the direct payment total amount corresponding to the budget category e.g. to the Travel and conferences if the amount was used to purchase event tickets, and the Actuals should be updated with the same amount. |  | DUX needs to review the on-payments in DAI and correct the payments amounts as suggested under the assessment of this point. |  |
| 4.3  | Are the MKR 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. DUX reported the payment of 355.86 MKR, this matched the DUX operational wallet outgoing payment of 355.86 MKR by June 26th, 2022.   |  |  |  |
| 4.4  | Is the DUX auditor wallet current balance in MKR correct?   | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Missing MKR info in the transaction section.  |  | DUX should add MKR table.  |  |
| 4.5  | Other observations  | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | MKR data for current balance transparency: DUX should add the MKR transfer table to the July 2022 report and all the reports going forward.   |  | MKR current balance in the auditor wallet should be reported also in July and going forward.                                 |  |