

Audit Report

Core Unit Name: IS

Audit ID: 2022-12-IS001

Audit Cycle: 2022-12 /2

Audit Date: 2023-02-15

Audit Result: Approved with comments

Submission Date: 2023-01-27

Facilitator contact: @psychonaut#7023

Core Unit Clarification Received on Date: 2022-02-13

MakerDAO Ecosystem Dashboard: <http://167.71.32.135/core-unit/IS/finances/reports>

Github Transparency Report: <https://github.com/makerdao-is/transparency-reporting/blob/main/Monthly%20Budget%20Statements/2023-01.md>

MIP14c2-SP2: <https://forum.makerdao.com/t/MIP14c2-SP2-modify-core-unit-budget-immune-fi-security-core-unit-budget-is-001/12598>

MIP4c2-SP17: <https://forum.makerdao.com/t/mip4c2-sp17-rapid-payment-for-small-bug-bounties-mip64-mip40c3-sp42-amendment/12869>

MIP40c3-SP42: <https://forum.makerdao.com/t/mip40c3-sp42-addling-immune-fi-security-core-unit-budget-is-001/10813>

MIP40c3-SP41: <https://forum.makerdao.com/t/mip40c3-sp41-immune-fi-security-core-unit-mkr-budget-is-001/10814>

Approved

Approved with comments

Needs action before approval

Pending

| #    | 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 MIP14c2-SP2   |                                     |                                     |                          |                          | Note.- IS requested a new budget MIP14c2-SP2 <a href="https://forum.makerdao.com/t/mip14c2-sp2-subproposal-for-protocol-dai-transfer-to-fund-is-cu-from-dec-2022-to-may-2023/19025">https://forum.makerdao.com/t/mip14c2-sp2-subproposal-for-protocol-dai-transfer-to-fund-is-cu-from-dec-2022-to-may-2023/19025</a> .   |                           |   |   |
| 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.   |                           |   |   |
| 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.   |                           |   |   |
| 0.6  | Has IS used the MakerDAO standart buget categories in the budget statement?  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | Yes.   |                           |   |   |
| 0.7  | Is the Multi-sig wallet setup the same as described in the MIP14c2-SP2?  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | Yes: IS Operational Wallet quorum (2:3)<br><br>Controlled by the IS Core Unit team<br>Address: 0x124c759D1084E67B19a206ab85c4527Fab26c342<br>Signers<br>0x2BC5Ffc5De1a83a9e4cDDfA138bAEd516D70414b<br>0xAcf835934eE40Ed5ee3F941E283499F8Ad97eD<br>0xFc87601A80d3e4F0aF083a899e3fee203C2cF0   |                           |   |   |
| 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 <a href="https://etherscan.io/tx/0xab810a967ba4a68862c4433ec4185f5e1a3ff121b4b38535a2a4b4a8e9908a4">https://etherscan.io/tx/0xab810a967ba4a68862c4433ec4185f5e1a3ff121b4b38535a2a4b4a8e9908a4</a> 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 MIP40c3-SP42. |                           |   |   |
| 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 <a href="https://etherscan.io/tx/0x25a0b1ac21cb1a70f76d14687c56025133d987ebc37d6e538e7a5e7764083600">https://etherscan.io/tx/0x25a0b1ac21cb1a70f76d14687c56025133d987ebc37d6e538e7a5e7764083600</a>  |                           |   |   |
| 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 last trx. from the auditor wallet to the operational wallet was 66,026 in Aug 2022 due to sufficient funds in the operational wallet. IS returned all funds from the operational wallet to the auditor wallet in November 2022. The Auditor wallet retained the MIP14c2-SP2 budget request and returned excess funds to the Dssblow in December 2022.  |                           |   |   |
|      | Audit Questions to the Monthly Budget Statement - Section 1. Last Month Actuals -  |                                     |                                     |                          |                          |  |                           |   |   |

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MIP40c3-SP41: <https://forum.makerdao.com/t/mip40c3-sp41-immune-fi-security-core-unit-mkr-budget-is-001/10814>

Approved

Approved with comments

Needs action before approval

Pending

| #   | 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                                 |
|---|--|-------------------------------------|--------------------------|--------------------------|--------------------------|--|---------------------------|---|---|
| 1.1   | Is the actuals budget category breakdown the same as in the MIP14c2-SP2?                                 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | IS has adopted the standard nomenclature per June 2022.                    |                           |   |   |
| 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 type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 1.4   | Are the IS actual expenses within the MIP14c2-SP2 total buget cap?                                       | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 1.5   | Are the IS actual expenses within the total MIP14c2-SP2 budget cap for the current quarter?              | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 1.6   | Has the Admin Expense any significant deviations between forecast and actuals?                           | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 1.7   | Has the IS Compensation and Benefits any significant deviations between forecast and actuals?            | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 1.8   | Has the IS Professional Services any significant deviations between forecast and actuals?                | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 1.9   | Has the IS Gas fees any significant deviations between forecast and actuals?                             | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 2.0   | Has the IS Software Development any significant deviations between forecast and actuals?                 | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 2.1   | Has the IS Software Expense any significant deviations between forecast and actuals?                     | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 2.2   | Has the IS presented the correct calculation of amounts for the actuals, forecast and difference?        | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 2.3   | Has the IS Actuals Section any budget category that seems inconsistent and needs further investigation?  | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All Payments are suspended while a bridge funding is handle by governance. |                           |   |   |
| 2.4   | Other observations   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | IS submitted a new budget request.   |                           |   | IS should add decimals to the Github budget statements as indicated under the assessment. |
| Audit Questions to the Monthly Budget Statement - Section 2. Budget Forecast -      |  |                                     |                          |                          |                          |  |                           |   |   |
| 2.1   | Are the budget caps the same as in the MIP14c2-SP2?  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.   |                           |   |   |
| 2.2   | Are the quarterly forecast within the bounds of the MIP14c2-SP2 and MIP4c2-SP17 budget caps?             | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.   |                           |   |   |
| 2.3   | Are the quarterly forecast totals within the approved MIP14c2-SP2?                                       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.   |                           |   |   |
| 2.4   | Has the IS presented the correct calculation of amounts in the Budget Forecast section?                  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Yes.   |                           |   |   |
| 2.5   | Is there a year to date forecast versus expenses observation   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | No.  |                           |   |   |
| 2.6   | Other observations   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | No.  |                           |   |   |
| Audit Questions to the Monthly Budget Statement - Section 3. MKR Vesting Overview - |  |                                     |                          |                          |                          |  |                           |   |   |

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MIP40c3-SP42: <https://forum.makerdao.com/t/mip40c3-sp42-adding-immune-fi-security-core-unit-budget-is-001/10813>

MIP40c3-SP41: <https://forum.makerdao.com/t/mip40c3-sp41-immune-fi-security-core-unit-mkr-budget-is-001/10814>

| #  | Audit Question   | Approved                            | Approved with comments              | Needs action before approval | Disputed                 | Audit Assessment   | Core Unit's Clarification  | Immediate CU Action to Improve Monthly Budget Statement | Medium Term CU Action to Improve Monthly Budget Statement                             |
|--|--|-------------------------------------|-------------------------------------|------------------------------|--------------------------|--|--|---|---|
| 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. The FTE in December 2022 is as follows:<br>- Facilitator 0 FTE<br>- Deputy Facilitator 0.8  |  |   |   |
| 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"/> | No. IS FTE were reduce from 1.2 to 0.8.  |  |   |   |
| 3.3  | Are the MKR vesting dates the same as in the MIP40c3-SP41?   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>     | <input type="checkbox"/> | Change in FTE and manual pricing was triggered on Aug 5, 2022. Therefore the Vesting dates were updated. The Aug 2023 is the next first vesting date instead of Dec 2022.  |  |   | IS should update the MKR table with the complete vesting date M-D-Y e.g. Aug 5 - 2023 |
| 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"/> | IS has added a new MKR vest schedule to MIP40c-SP41<br><a href="https://forum.makerdao.com/t/mip40c3-sp41-immune-fi-security-core-unit-mkr-budget-is-001/10814/3">https://forum.makerdao.com/t/mip40c3-sp41-immune-fi-security-core-unit-mkr-budget-is-001/10814/3</a> |  |   |   |
| 3.5  | Has IS explained the MKR change in the Monthly Budget Statement?   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>     | <input type="checkbox"/> | Yes.   | "FTEs were reduced from 1.2 to 0.8 (since July 2022) and manual pricing was triggered on Aug 5th, 2022." |   |   |
| 3.6  | Other Observations   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>     | <input type="checkbox"/> | No.  |  |   |   |
| 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"/> | Yes.   |  |   |   |
| 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.   |  |   |   |
| 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.   |  |   |   |
| 4.4  | Does IS Operational wallet need to return excess funds to the auditor wallet based on the December 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 December 2022 budget report?                   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>     | <input type="checkbox"/> | No.  |  |   |   |
| 4.6  | Other observations   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>     | <input type="checkbox"/> | No.  |  |   |   |