

Channels Audit Report

Version 1.0.0

Presented by Fairyproof

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01. Introduction

This document includes the results of the audit performed by the Fairyproof team on the [Channels](#) project, at the request of the Channels team.

The audited code can be found in the public [Channels Github repository](#), and the version used for this report is commit

```
e6fed4082fbc6a102f4525a5b2a002ac7c3f9a6
```

The goal of this audit is to review Channel's solidity implementation for a decentralized lending application, study potential security vulnerabilities, its general design and architecture, and uncover bugs that could compromise the software in production.

We make observations on specific areas of the code that present concrete problems, as well as general observations that traverse the entire codebase horizontally, which could improve its quality as a whole.

— Disclaimer

Note that as of the date of publishing, the contents of this report reflect the current understanding of known security patterns and state of the art regarding smart contract security. You agree that your access and/or use, including but not limited to any associated services, products, protocols, platforms, content, and materials, will be at your sole risk.

The review does not extend to the compiler layer, or any other areas beyond the programming language, or other programming aspects that could present security risks. Risks or issues introduced by using data feeds from offchain sources are not extended by this review either.

Given the size of the project, the findings detailed here are not to be considered exhaustive, and further testing and audit is recommended after the issues covered are fixed.

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— Methodology

Channels' codebase was studied in detail in order to acquire a clear impression of how the its specifications were implemented. The codebase was then subject to deep analysis and scrutiny, resulting in a series of observations. The problems and their potential solutions are discussed in this document and, whenever possible, we identify common sources for such problems and comment on them as well.

The Fairyproof auditing process follows a routine series of steps:

1. Code review that includes the following
 - i. Review of the specifications, sources, and instructions provided to Fairyproof to make sure we understand the size, scope, and functionality of the project's smart contracts.
 - ii. Manual review of code, which is the process of reading source code line-by-line in an attempt to identify potential vulnerabilities.
 - iii. Comparison to specification, which is the process of checking whether the code does what the specifications, sources, and instructions provided to Fairyproof describe.
2. Testing and automated analysis that includes the following:
 - i. Test coverage analysis, which is the process of determining whether the test cases are actually covering the code and how much code is exercised when we run the test cases.
 - ii. Symbolic execution, which is analyzing a program to determine what inputs cause each part of a program to execute.
3. Best practices review, which is a review of the smart contracts to improve maintainability, security, and control based on the established industry and academic practices, recommendations, and research.

— Structure of the document

This report contains a list of issues and comments on all the contract files under the directory <https://github.com/ChannelsFinance/ChannelsProtocol>. Each issue is assigned a severity level based on the potential impact of the issue and recommendations to fix it, if applicable. For ease of navigation, an index by topic and another by severity are both provided at the beginning of the report.

— Documentation

For this audit, we used the following sources of truth about how the Channels system should work:

<https://channels.finance/>

whitepaper

These were considered the specification, and when discrepancies arose with the actual code behavior, we consulted with the Channels team or reported an issue.

— Comments from Auditee

No vulnerabilities with critical, high or medium severities were found in the Channels' codebase. Four vulnerabilities with low severity were acknowledged by the team, and the team may not fix them in the near term but may make changes in future upgrades.

02. About Fairyproof

Fairyproof is a leading technology firm in the blockchain industry, providing consulting and security audits for organizations. Fairyproof has developed industry security standards for designing and deploying smart contract systems.

03. Severity level reference

Every issue in this report was assigned a severity level from the following:

Critical severity issues need to be fixed as soon as possible.

High severity issues will probably bring problems and should be fixed.

Medium severity issues could potentially bring problems and should eventually be fixed.

Low severity issues are minor details and warnings that can remain unfixed but would be better fixed at some point in the future.

04. List of issues by severity

A. Critical

- N/A

B. High

- N/A

C. Medium

- N/A

D. Low

- CErc20Delegator.sol

Inappropriate Access Control

- CHT.sol

Inappropriate Access Control

- CToken.sol

Inappropriate Access Control

- Unitroller.sol

Inappropriate Access Control

05. List of issues by contract file

- CErc20Delegator.sol

Inappropriate Access Control: Low

- CHT.sol

Inappropriate Access Control: Low

- CToken.sol

Inappropriate Access Control: Low

- Unitroller.sol

Inappropriate Access Control: Low

06. Issue descriptions and recommendations by contract file

- CErc20Delegator.sol

Inappropriate Access Control: Low

Source and Description:

The owner address who has full access control is an external account address. If it is exploited it will cause huge risks.

Recommendation:

Consider transferring the full access control to a DAO or a multi-sig wallet.

Update: Acknowledged by the depth team. The team may not fix it in the near term but may make a change in a future upgrade.

- CHT.sol

Inappropriate Access Control: Low

Source and Description:

The owner address who has full access control is an external account address. If it is exploited it will cause huge risks.

Recommendation:

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- CToken.sol

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