TOPIC description: Business Licensing and Building Code Operations

A. Executive Summary

While open to further conversations regarding study scope, the Department of Safety and Inspections (DSI) expressed hesitation undergoing any audit in 2026 or the first half of 2027, as management is in the process of reevaluating its own plans, policies, and procedures and making changes to PAULIE. Likewise, concerns of data reliability in light of the summer 2025 cybersecurity incident were flagged as being potentially problematic. Nevertheless, both interviewers and DSI agreed a performance audit of building code and business licensing activities is worthwhile and that reliable data is available from before the 2025 cybersecurity incident to compare with the current calendar year's. Indeed, interviewers had a wide ranging and fruitful discussion with DSI leadership of the challenges and opportunities facing the department. Our discussion broadly informed the research questions outlined in the project scope.

The interview panel for this topic consisted of Councilmember Rebecca Noecker, Community Advisor Noah McVay, and Committee Staffer Nhia Vang. The scope of work was prepared by Mr. McVay in consultation with Ms. Vang.

B. Scope

Evaluate the effectiveness of business licensing processes, the extent invoices received for the cost of inspecting applications comply with city ordinance, and response times in DSI's case management system (PAULIE), together with an examination of the cost, quality, and timeliness of building inspection, construction permitting, and property code enforcement activities, including PAULIE's efficiency and effectiveness at monitoring and following-up on individual cases. The department subject to audit is the Department of Safety and Inspections (DSI) and its Construction Services, Customer Services, Fire Safety, Licensing, and Property Code Enforcement divisions. The resulting engagement will attempt to address the following research questions:

Business licensing effectiveness

1. To what extent are licensing workflows aligned with established Saint Paul city ordinances, and how do approval cycle times compare to stated service-level agreements (SLAs)?
2. Do internal controls in the PAULIE portal ensure that applicants resolve all code deficiencies and hold valid insurance prior to license issuance?
3. What is the frequency and root cause of delayed license renewals, and how does DSI track businesses operating without an active license?
4. Are there opportunities for better preparing customers when they apply to DSI for licenses?

5. What is the impact of outdated Legislative and Administrative Codes on Saint Paul’s business community, given DSI has regulatory responsibility for over 300 different licenses?
6. Where can city ordinances governing business licensing better align with state law?
7. What resources, be they personnel, financial, or operational, are needed to effectively respond to and ameliorate infractions?

Internal controls and compliance

1. To what extent do invoices received by DSI align with the Saint Paul Code of Ordinances regarding authorized rates, allowable expenses, and required supporting documentation?
2. Are there adequate internal controls over invoice processing to prevent duplicate payments, unauthorized charges, or overpayments?
3. How many vendor invoices required corrections or were rejected in the last 24 months due to non-compliance with city billing regulations?

Building code response times and efficiency

1. What are the average, median, and maximum response and resolution times for building inspections, construction permitting, and property code enforcement requests logged in PAULIE?
2. How efficiently does the PAULIE system monitor active cases, flag missed deadlines, and generate follow-up tasks for DSI inspectors?
3. To what degree are DSI staff adhering to established case management SLAs, and are there system bottlenecks within PAULIE that hinder timely case progression?
4. What can be learned from adverse customer outcomes?

Cost, quality, and timeliness

1. How do the costs of delivering DSI permitting, inspection, and code enforcement services compare to the associated fee revenues collected, and are these fee structures compliant with city mandates?
2. What quality assurance mechanisms (e.g., supervisory reviews, reinspection failure rates) does DSI utilize to ensure inspection outcomes meet professional standards and city expectations?
3. Are construction permits issued within statutory timeframes, and do property code enforcement investigations result in timely property compliance?
4. How does the enforcement of administrative citations vary between residential and commercial properties, and does enforcement carry different compliance options?

Improving program outcomes

1. What management controls should be established over business applications to strengthen cybersecurity?
2. How can the city modernize building code and property maintenance regulations to advance neighborhood vitality?
3. What processes can be created to ensure a functioning process between site planners and customers, one that doesn't propagate concerns of disproportionality of regulatory burdens.
4. Are there specific dashboards which would be helpful for monitoring license or permit progress?
5. How can DSI change its public perception and organizational culture from an antagonist to a partner of the business community?

C. Cost

This study topic has one of the broadest scopes of the four engagements under consideration this audit cycle, digging deep into the operations of five DSI divisions which touch the lives of almost every Saint Paulite on a daily basis. It is expected to take approximately ten to twelve months to complete and generate costs in the range of $20,000 to $30,000.

D. Ability to Effect Change

DSI is in the midst of a transition, with both a new department director and several new division managers only recently being installed in post. An audit is welcomed by DSI leadership, but may not be timely as business operations are being reevaluated to better align with service delivery needs over the coming year. In the opinion of senior managers, this may lead to unreliable data. Nevertheless, Audit Committee Staff are convinced ample data are available over multiple time series to undertake and complete a reliable audit product now through 2027. In this vein, DSI stands ready to have further conversations as the Committee progresses through its topic selection process and looks forward to implementing the Audit Committee's findings.

E. Key Challenges

DSI faces significant operational challenges, chief among them being a historically frustrating and complex permitting and inspections process that deters local business development. Additionally, the department is actively navigating the fallout of a massive citywide cyberattack that has disrupted core online permitting and code enforcement services. Those challenges are discussed in greater detail below:

Navigating in the aftermath of a cyberattack
A severe cyberattack on city systems crippled the city's online portals, making it difficult to process building permits, schedule inspections, or manage code enforcement complaints efficiently.

Permitting and licensing delays
The city has faced ongoing criticism over what's been described in the news media as a "frustrating inspections system," which slows down commercial renovations and deters new businesses from opening or expanding in Saint Paul.

Aging housing stock and code enforcement backlogs
DSI inspectors are tasked with regulating over 23,000 buildings and dwellings, managing complaints about tall grass, illegal dumping, and neglected vacant buildings. Balancing proactive fire safety and habitability inspections with reactionary complaints often stretches staffing thin.

F. Study Approach

To address this scope of work, the performance audit requires a mixed-methods, risk-based approach. The underlying methodology combines quantitative data analytics, compliance testing, process mapping, and qualitative analysis to evaluate operations and enhance outcomes. Specific approaches the Audit Committee may take include:

1. Data analytics.
    a. Assess PAULIE's efficiency and response times, through an extraction of system logs and timestamps to track application-to-approval times, inspection queues, and case follow-up intervals.
    b. Analyze system metrics to determine if DSI is meeting target service-level agreements (SLAs).
2. Compliance testing.
    a. Ensure invoice costs for inspection applications comply with city ordinances, by conducting a stratified random sample of inspection invoices.
    b. Trace the billed amounts back to the specific DSI ordinances to verify that the fees, administrative costs, and assessments match authorized rates.
3. Process mapping and efficiency analysis.
    a. Examine the cost, quality, and timeliness of licensing and permitting, mapping out the end-to-end lifecycle of business licenses and construction permits.
    b. Calculate the total cost-per-permit (staff time vs. fee revenue) and assess the timeliness of DSI's core activities.
4. Qualitative analysis.
    a. Gather qualitative context to supplement the quantitative data, through appropriate literature reviews.
    b. Distribute surveys or conduct structured interviews with stakeholders (contractors, business owners, and internal city staff) to assess the quality and transparency of the DSI permitting process.

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