

Department of Safety and Inspections (DSI) - Business Licensing Operations

Purpose: Evaluate the efficiency, effectiveness, compliance, and customer service of DSI's business licensing operations, including the use and performance of the PAULIE case management system.

Background: DSI is undergoing internal process and organizational changes while continuing to recover from the City's 2025 cybersecurity incident. These circumstances may affect the reliability of near-term operational data and create some hesitation about audit timing. However, DSI leadership supports an evaluation, and sufficient historical data are available to establish a baseline and compare pre-incident performance with current operations.

Proposed Audit Focus

The audit would examine:

- Business licensing workflows, approval timelines, and causes of renewal or processing delays.
- PAULIE case-processing efficiency, system bottlenecks, data quality, and quality assurance.
- Invoice compliance, fee revenues, service costs, and related internal financial controls.
- Compliance with applicable ordinances, service-level expectations, and established procedures.
- Licensing error rates, case resolution times, and workload management.
- Staffing, technology, and resource needs affecting licensing service delivery.
- Customer preparedness and experiences, including feedback from businesses, contractors, and staff.
- Opportunities to improve operational efficiency, customer service, cybersecurity, and equitable enforcement.

Key Challenges

- Recovery from the 2025 citywide cybersecurity incident.
- Lengthy or inconsistent business licensing processes.
- Staffing and IT capacity constraints.
- Complex and potentially outdated licensing requirements.
- Public concerns regarding the timeliness and consistency of licensing services.
- System and workflow limitations that may contribute to processing delays.

Performance Audit Approach - A mixed-method approach would include:

- Analysis of PAULIE historical and current licensing data.
- Testing of invoice compliance and internal controls through sampling.
- Process mapping of the business licensing lifecycle.
- Analysis of processing times, error rates, renewal delays, and system bottlenecks.
- Comparison of licensing service costs and fee revenues.
- Interviews or surveys of DSI staff, businesses, contractors, and other stakeholders.
- Comparison of current performance with historical data, applicable ordinances, and service standards.

Timing Considerations: Although DSI is implementing organizational changes and recovering from the cybersecurity incident, audit staff believe sufficient historical data exist to proceed. The audit could account for ongoing changes by distinguishing pre-incident, recovery-period, and current performance. This would provide useful information on both immediate process improvements and longer-term licensing needs.

Estimated Scope

Duration: 10–12 months

Estimated Cost: \$20,000–\$30,000

Audit Committee Recommendation: Proceed with a performance audit of DSI's business licensing operations during 2026–2027, with particular emphasis on licensing efficiency, PAULIE performance, compliance, processing timeliness, internal controls, resource needs, and customer service. The audit should use historical data to establish a reliable performance baseline while recognizing the operational impacts of the 2025 cybersecurity incident and ongoing organizational changes.