There are two aspects to the compliance challenge inherent in complex IT product management projects: operational compliance, and regulatory compliance. Failures in either area can lead to catastrophic outcomes for the enterprise. In this briefing, we will examine ways in which software requirements can be used to reduce compliance risk—both for regulatory compliance and for operational compliance—and when during a project lifecycle complete, accurate requirements definition can have the greatest positive impact.

**Identify Compliance Business Objectives**

For financial services firms such as banking, investments, and insurance, and for any firm handling certain types of protected customer and transactional data, government legislation such as Sarbanes-Oxley and Dodd-Frank drive regulatory compliance. Operational compliance may be a factor not only for those firms, but for any organization processing standards-based transactions (EDI, XML, HL7, and similar) and any facing what has been called the consumerization of IT—people using their own computing devices in the workplace.

These compliance needs, and their accompanying organizational risks, mean business objectives must contain all relevant compliance requirements to be complete and accurate for software IT projects.

When creating software projects to meet compliance needs, business analysts (BAs) and product managers (PMs) should determine the requirements the software must meet. Whether the project is a Commercial Off The Shelf (COTS) system or entirely custom coded, clearly identifying the compliance business objectives should be the first priority. In COTS projects this will help ensure that any vendor that passes the selection process will be able to meet the necessary compliance requirements. The vendor should provide validation their systems meet those requirements; project failure can result from selecting a system that misses an important regulatory or operational compliance requirement.

For new implementations, it is critical to ensure that every feature of the system has compliance taken into consideration before being built. No project will succeed simply by meeting compliance requirements; however, compliance prerequisites represent an absolute minimum hurdle for a project. A further consideration for business objectives may be the flexibility of the system for future, unknown regulatory and standards compliance needs. Is the system adaptable for a rapidly-changing compliance landscape? Your BAs and PMs will be key drivers in assessing and prioritizing “flexibility” features.
Business Objectives: Compliance Requirements in Action

Seilevel recently worked with a health insurance company on a COTS project for a new claims adjudication system. This organization had two primary compliance requirements: real time claims adjudication, and handling ICD-10 diagnosis coding on claims. The first question the company asked each vendor competing for the project was whether or not their offering could handle these two scenarios. Vendor selection was simplified and made faster based on these basic requirements.

Ensure the Requirements Fulfill the Compliance Business Objectives

Once the compliance business objectives are identified, they should be used to guide the whole project. Tracing all requirements to the business objectives ensures that only features that add value will be built. This is even more critical with compliance requirements: missing your compliance objectives can result in severe financial penalties, legal action, or in the worst scenarios, criminal charges and company bankruptcy. By performing the traceability analysis between the compliance business objective and the requirements, BAs and PMs have the ability to make sure that no requirement is missed while providing a set of situations to walk through. BAs and PMs that have been a part of the project will be well versed in the entire set of requirements and models for the system. With those tools, they will be able to simulate the audit process, ask the appropriate questions, and uncover issues that individual subject matter experts may miss. These simulations help firms simultaneously discover any last system bugs, while preparing users to pass an external audit.

One Seilevel financial services client conducted a big challenge (with a sizable risk) into a bigger opportunity. A large company on a COTS project for a new claims adjudication system. This organization had two primary compliance requirements: real time claims adjudication, and handling ICD-10 diagnosis coding on claims. The first question the company asked each vendor competing for the project was whether or not their offering could handle these two scenarios. Vendor selection was simplified and made faster based on these basic requirements.

Organization Self-Assessment for Compliance Business Objectives Readiness

1. Do you have a strong partnership with relevant subject matter experts, stakeholders, and business users, in order to support elicitation of compliance requirements?
2. Have you elicited all compliance requirements—both regulatory and operational? Have you identified which may be likely to change near-term?
3. Do you have well-defined business objectives that incorporate compliance needs, and use them to prioritize potential new features to be developed/implemented?
4. Are your business analyst teams prepared to thoroughly elicit and manage compliance requirements and requirements traceability to reduce compliance risk?
5. Do you have enough senior business analysts with experience in business objectives requirements to lead, coach, and support other business analysts, and to ensure development and QA/testing have what they need to succeed?

If you answered “no” or “unsure” to any of the self-assessment questions, please contact us (you can email info@seilevel.com or call 1-512-527-9952). We can help you assess and strengthen your business analyst teams’ compliance requirements readiness.