



Fee Free = Risk?

How Much Should IT Asset Disposal Cost?

For security, legal, and environmental reasons, IT asset disposal can be a risky proposition. What you should spend on it depends on how much you may lose if your disposal strategy were to fail.

Companies naturally want to minimize the cost and risks of owning IT assets. The challenge is how to do both simultaneously throughout an asset’s life cycle. Mitigating risk usually comes at a cost — and reducing that cost below a certain point can be very risky. This is particularly true at the end of an IT asset’s life cycle.

What would happen, for example, if critical data was left exposed on your end-of-life IT equipment? What would be the legal and public relations consequences of getting caught violating federal privacy laws or environmental statutes, either deliberately or as a result of mismanagement? Recent headlines prove these situations can lead to large jury awards,

other expensive restitution, or loss of business viability.

These risks are an inherent part of owning IT assets — and so, then, are the costs of mitigating these risks. Those costs can include professional IT asset disposition (ITAD) services that will remove data in a secure manner, discard equipment legally, and provide the required documentation.

Your Choice: Free or Fee?

Organizations often operate under a legitimate desire to save money; however, in the end, they are responsible for an asset’s data security and environmental impact even after ownership or custody passes to someone else. That’s why perceived “cost-free” strategies such as donating to charity, employee resale, and recycling can ultimately prove very costly. Has sensitive corporate and customer data been properly destroyed? Is equipment leaking toxic waste in a landfill? Were identity

Disposal Option (perceived as “no cost”)	The Risks
Donating to Charity	<ul style="list-style-type: none"> • Sensitive data may be exposed • Ultimate disposal may be environmentally unsafe • No way to know if data security or environmental laws are broken • Software licenses may be violated • No reporting or certificates are provided • Original owner remains liable • Charities are becoming increasingly overwhelmed by nonworking and non-usable equipment
Employee Resale	<ul style="list-style-type: none"> • Sensitive data may be exposed • Ultimate disposal may be environmentally unsafe • Preparation for resale can be costly • No way to know if data security or environmental laws are broken • Software licenses may be violated • Original owner remains liable • Employees may expect ongoing support • Employees may accept newer PCs and laptops, but have little need for high-end networking gear, storage arrays, servers, and telephony
Recycling	<ul style="list-style-type: none"> • Sensitive data may be exposed • Ultimate disposal may be environmentally unsafe • Cost-savings model often leads to shortcuts and cost avoidance • No way to know if data security or environmental laws are broken • Software licenses may be violated • Original owner remains liable • Unscrupulous vendor may sell data for cash

Table 1. So-called “no cost” IT asset disposition options have risks that may ultimately be very costly

tags left attached? How can an organization be sure?

Table 1 lists three IT asset disposal methods that are perceived to have a “no cost” association — and the potentially expensive risks they pose:

Now consider the alternative: professional ITAD services. These would yield the ability to better mitigate risk while implementing proactive ITAD measures. Measures employed by ITAD professionals mitigate both the risk of these incidents actually occurring as well as the risk of suffering the consequences.

Take data erasure, for example. Professional ITAD firms use state-of-the-art technologies to cleanse media of all recoverable data. Not only is data destroyed, but destruction is also verified according to the DoD Standard 5220.22-M, if needed. Compliance certificates can be provided and chains of custody are established — up to and including physical destruction and disposal by environmentally responsible means. The same applies for cell phones, PDAs, MP3 players, flash disks, and other devices that require special disposal procedures.

An ITAD professional can also help re-cover costs through asset resale — depending on the equipment condition and technology level, as well as the vendor’s ability to value all or parts of an asset and the efficiency of its supply chain network. The main objective here is not informational, environmental, or legal protection. It is to receive the full measure of an asset’s residual worth. What’s true throughout an asset’s life cycle, however, remains true at the end of its life cycle: risk mitigation is seldom cost free. Organizations must therefore understand (so they can better manage) the factors driving the cost versus risk decision.

Cost Factors

The real choice for most organizations is not between free or fee, but rather the right balance between risk and cost. So how much should a company spend once it decides that it *will* spend? The answer depends on the company’s tolerance for risk and the corresponding number and scope of measures designed to mitigate risk. Those, in turn, reflect how much a company stands to lose if the selected disposal strategy were to fail. A company will spend more on risk mitigation to the extent it:

- Is subject to stringent regulations regarding information disposal, like Sarbanes-Oxley, HIPAA, the Gramm-Leach Bliley Act, the International Safe Harbor Privacy Principles, The California Security Breach and Information Act (SB-1386), the New York State Information and Security Breach Notification Act, and DoD 5220.22-M
- Holds significant intellectual property (either for itself or

others) that could threaten a firm’s market position or even survival if the intellectual property fell into the wrong hands

- Has a significant fiduciary responsibility (e.g., it’s a law firm, a mutual fund company, or a bank)
- Handles significant volumes of customer or employee private data, such as Social Security and credit card numbers
- Has large numbers of employees, locations, and IT assets, thereby making IT asset tracking a significant logistical challenge

Just what is “significant” in each of these areas is a subjective assessment.

For most firms, maxing out ITAD services makes as little sense as ignoring ITAD risks completely. One of the services a competent ITAD firm can provide to organizations is help in assessing risk; it can then develop a set of reasonable ITAD options as part of an overall asset management strategy. Including IT asset disposition in the overall strategy makes sense, given that ITAD costs are part of total of IT asset ownership costs.

Choose Wisely

Clearly, choosing the right ITAD vendor is critical — and is as much a part of overall strategic IT planning as other aspects (such as acquisition, support, and security). That’s because the costs and risks of IT asset ownership extend through the end of an asset’s life cycle. To make the choice requires a careful review of an organization’s obligations to its customers, employees, suppliers, investors, and environment — not to mention legal authorities.

These risks and obligations don’t go away just because the IT asset does. Options that may appear cost free and safe on the surface — such as donating to charity, employee resale, and recycling — rarely are. Even if the organization does not seem to be threatened, management can never be sure, and so it has little control over issues that can severely damage the business. That’s not good.

On the other hand, ITAD options that do require out-of-pocket cash can substantially reduce costs and risks overall. Moreover, with professional ITAD services, management stays very much in control. Managers have a ready answer when asked about their asset disposal policies and procedures. They are less likely to be caught off guard and less likely to spend time on areas in which they don’t want to invest and would prefer not to focus. Instead, they can focus on what they really want to do beyond reducing both costs and risks — be more successful.

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