Recycle, Repurpose or Resell?
Managing Risk When Disposing of IT Assets

BY DANIEL CASCIATO

The decision on whether to recycle, repurpose or resell older IT assets to recover value could become complicated, as stringent environmental regulations and data security risks pose challenges for proper disposal. HP Financial Service's Jim O'Grady explains how a smart and responsible IT asset disposition program can help firms stay in control of their IT lifecycle and mitigate risks.

JIM O'GRADY
Director of Asset Mgmt,
HP Financial Services

With rapid advances in technology, businesses are regularly replacing current IT assets, such as PCs, data storage, mobile devices and networking equipment, for ones with better power performance and improved energy savings. Newer technology dictates that something must happen to the existing one.

Responsibly Disposing of Electronic Waste

Although existing technology may no longer be useful, rather than discard the asset entirely, its components can be dismantled and then recycled or sold for reuse.

"Recycling indicates the product has no value left for its intended use," says Jim O'Grady, director of asset management for HP Financial Services. "You could break down that asset to its basic constituents — metals, plastics or glass — and then recycle these basic constituents and recover value that way."

Recycling may not always be the best option for some assets, notes O'Grady, particularly for data center technology which has a longer lifespan by as much as 20 years. Enterprises could generate profits by re-certifying existing IT assets that are still fit for their intended use, customized, repackaged and remarketed. The refurbished products marketplace is rather robust because some companies find it costly to migrate to a new hardware solution. By scaling back on their existing legacy environment, a cost-effective solution is to purchase IT equipment that is re-certified, affordable and legally licensed.

"Reuse comes ahead of recycling because reusing equipment has a higher level and hierarchy from an environmental standpoint," notes O'Grady. "You're not mining additional constituents to build something. Instead, you're just reusing something that has already been built."

Minimizing Security Risk

Whether an asset is recycled or remarketed, organizations should ensure that any remaining data on their IT assets is completely removed. Data security is an increasingly crucial issue to organizations as they upgrade and dispose of old IT assets. Enterprises must be made aware of the dangers of sensitive information lurking on old computers, laptops and smartphones. Without a leak-tight disposal process, an unintentional slip-up can result in disastrous security breaches, regulatory violations, reputation damage and other nightmares for the company. An asset should be clean of data before it is transferred to a buyer or a recycler, thereby eliminating a company's risk when assets leave the premises with data on them.

"The risk begins when the asset is being de-installed," says O'Grady.

Once an asset leaves the organization, it is transported to a recycler or IT asset disposition vendor. O'Grady recommends a serialized tracking system to manage that asset so the company knows it reached its final destination. Also, he stresses the importance of receiving a certificate of destruction or a certificate of erasure to ensure the data has been certified to be eradicated.

"From the time your asset has been decommissioned, note the serial numbers, establish a tracking system to confirm delivery, ask for a serialized report with all of the assets received as well as a certificate of erasure for each," O'Grady says. "If the asset is to be recycled, obtain a certificate of destruction certifying it was recycled in an environmentally compliant way."

Understanding Electronic Waste Regulations

While most C-level executive clients whom O'Grady works with want to maximize a retired asset's value, they also want to minimize the costs and risks associated with recovering that value.

"They want to comply with all legislation while enhancing the reputation of their enterprise," he says. "By becoming a responsible corporate citizen, these

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enterprises can significantly impact their organizational value in the marketplace. So when it comes to environment risk, they want to be sure they have all of their bases covered."

Mishandled electronic waste has led to complex regulations domestically and internationally. There are even stringent guidelines on how to recycle and reuse electronic devices and components. Major enterprises that have globally deployed assets need to be aware of these regulations.

In the United States, while there are no federal mandates to recycle electronic waste, 25 states have passed legislation or improved existing laws mandating statewide electronic waste recycling. Some states, for example, have made it illegal for businesses to dispose of electronic devices with their municipal solid waste. These devices and their components must be properly recycled and may not be taken to landfills or solid waste disposal facilities. The serial numbers on these disposed assets could be traced back to the offending company. Violations will result in monetary penalties. In other states, the company recycling an asset must pay a fee for the collection, transport and proper disposal process.

Some electronic components, such as mobile phones and CRT monitors, are considered hazardous under federal law, meaning that they cannot just be discarded. To encourage recycling and reuse, the Environmental Protection Agency has less stringent requirements if an asset will be resold, donated or recycled. However, if a facility is generating more than 220 pounds of electronic waste per month, their disposal methods will be regulated under federal hazardous materials guidelines.

The European Union and other countries overseas have also addressed electronic waste with their own standards and requirements. International regulations limit the discarding of used IT assets to foreign scrap markets. The Basel Convention, a treaty signed by 172 countries in 1992, regulates international movements of hazardous wastes. It was created to reduce the export of hazardous waste, such as electronic components, to nations with lower environmental standards. Under the Basel Convention, hazardous waste cannot be transferred to a third world country —not even for recycling — unless the receiving government has given explicit prior consent.

Since there are other different types of international legislation, O'Grady recommends that enterprises become familiar with the policies in the countries where they do business.

Protecting Sensitive and Private Data

As an IT asset nears the end of its life cycle, O'Grady says the organization should first determine if it has the expertise to recover the value and ensure that the asset is fully tested and sold with the right terms and conditions to protect the company.

"Our clients are surprised that the simple act of selling used equipment in the secondary market is fraught with so much risk," he says.

Secondly, a data security plan must be in place. Evaluate the type of data that is on a particular piece of equipment. This data can reside on many different types of equipment such as networking gear, as well as the storage, PC side, printing technology, etc.

"The company needs to understand where its data exists," says O'Grady. "Also, it should have a plan of how to eradicate the data. Does the firm have the technique or personnel to eradicate the data onsite or do they need to outsource it to an expert?"

From a data security standpoint, O'Grady advises clients that if the asset contains truly sensitive data, wipe it onsite first.

"Don't let it leave your location unless the data is wiped," he says. "We also tell clients to be sure that it is wiped clean again offsite. Have a

record of all the retired assets so you can demonstrate to anyone where your assets went and what was reused."

Developing a Corporate-Wide Consistent Approach to Recovery

An IT asset disposition program should be consistent across all levels of an organization, stresses O'Grady.

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and could run into compliance issues," he says. "To protect your brand's reputation, be consistent in how you conduct your IT asset removal process."

The process should be centralized internally and then taken to a qualified expert. He encourages working with a third party recycler — one that has the proper certifications and can handle all IT equipment.

"You also want a vendor that works internationally to be able to recover your entire end-of-use IT equipment across your global enterprise," adds O'Grady.

Companies can work with certified electronic waste vendors that handle disposal of IT assets. HP Financial Services' Asset Recovery program, for example, can help organizations gain control of business processes, lower costs and reduce risk, while providing greater control over end-of-life technology.

"We take direct ownership of environmental and security compliance to help clients with business optimization and cost reduction," says O'Grady. "Many C-level executives don't even know what it's costing them across their enterprise to do this work on their own. It's often done in many pockets across their enterprise. The first thing we advise them to do is to put it all into in one bucket. We can also help clients re-market their assets."

One final piece of advice from O'Grady is to never let older IT assets sit and collect dust.

"We've had clients tell us that they have a warehouse full of outdated IT assets because they didn't know what to do with them," O'Grady says. "Don't store it and don't just let it sit because asset valuation depreciates pretty quickly in the secondary market. It's not a good strategy."

Since IT asset disposition is often outsourced, O'Grady advises against individual departments managing this process. If different departments manage the disposal of their own assets, they may not necessarily know the true value of the product and whether they are getting the best value.

"It may not lead to the best recovery process of those assets," O'Grady says. "Secondly, if these retired products are not tested and fit for use, your company is responsible if these untested products are resold in the secondary market. This is a specialized area that requires specialized knowledge, an understanding of emerging legislation and the expertise to properly eradicate sensitive data." m

DANIEL CASCIATO is a professional business writer and *Monitor* contributor.