Must-Ask Questions for Evaluating an IT Asset Disposition Vendor

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Executive Summary

The United States produces more e-waste annually than any country in the world, disposing of over 9.4 million tons per year. The Environmental Protection Agency (EPA) estimates that only 12.5% of e-waste is recycled. With the velocity in production of new electronics, experts predict this number will jump worldwide by more than 30% in the next four years.[1]

The definition of e-waste can vary. When working with a major IT asset disposition (ITAD) recycling firm, e-waste is defined as any equipment, cell phones, desktops, laptops, servers, networking equipment, televisions [light-emitting diode (LED) or cathode-ray tube (CRT)], and computer parts. These items typically carry chemicals such as lead, barium, mercury, beryllium, cadmium, sulfur, and hexavalent chromium, just to name a few.

There are many aspects that need to be considered when finding the right vendor to reuse or recycle your assets. Data security, environmental and legislative compliance, and maximizing asset recovery value (ROI) are three primary considerations that need to be addressed. In the long run, finding the right vendor will protect you from data breaches, increase return to your bottom-line, and keep you out of litigation for improper disposal.

This white paper details the critical, must-ask questions when evaluating ITAD providers. By focusing on the responses to these key questions, you can ensure that your ITAD vendor will meet or exceed your expectations for data security, compliance, and value recovery.

Data Security

The majority of resources used to protect data are focused, and rightfully so, on cyber threats. However, organizations often forget one very critical threat – data breaches that occur after your assets are no longer deployed. To ensure you are working with an ITAD provider that keeps this threat top-of-mind, be sure to ask the following questions.

What security certifications do you hold? What standards do you apply for data sanitizing?

While numerous standards exist, the premier **certification** for ITAD vendors is **National Association of Information Destruction (NAID) AAA. All companies that have received NAID AAA Certification** are subject to regularly-scheduled onsite audits by trained, accredited security professionals. In addition, random, unannounced audits are conducted.

The NAID AAA Certification Program reviews employee background screening and training, compliance with written procedures, access controls, operational security, destruction equipment, and confidentiality agreements. It also ensures transparency amongst certified companies. NAID AAA Certification audits are available to clients, as well as to the public, at no charge. Clients may subscribe to emails alerting them to a provider's status (renewal, lapse, and audits).

In addition to NAID AAA Certification, there are other guidelines and standards that, while not certifications, help ensure ITAD vendors are committed to data security.

Ensuring that confidential data is not released outside the company is the main concern when embarking on a digital media sanitization project. **The National Institute of Standards and Technology (NIST) has developed Guidelines for Media Sanitization (NIST 800-88)** to help organizations determine the best method for sanitizing hard disk drives. This standard provides recommendations based on your company's required data confidentiality level to help you choose from these three methods for hard drives destruction: 1) erasing, 2) degaussing and 3) shredding.

The Department of Defense standard for sanitization (DoD 5220-22m) exists to counter digital data remanence. Digital remanence is residual data left after at least one attempt has been made to degauss, overwrite, or encrypt data. Digital media is difficult to erase, and these procedures will prevent all software-based, and most (if not all) hardware-based, file recovery methods from retrieving information from a hard disk drive.

Do you carry cyber liability insurance?

Cyber liability insurance covers the first- and third-party risks associated with doing business online or the disposal of sensitive information. A company should have at least $5 million in coverage to keep the business functioning in the event of a data breach due to the disposition process. You should definitely inquire if your ITAD vendor is adequately covered by this insurance.

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Do you background screen all employees?

Understandably, you depend on your ITAD provider to protect the security of your information. One critical component in securing your data is ensuring that your vendor conducts criminal background checks, which review the history of its potential employees over the last 7 years. Two key benefits of working with an ITAD company that performs background checks are:

Protection from liability – In the unlikely event of a data breach, you would want to be able to tell your lawyer that your ITAD vendor had an extensive employee screening process to protect against this occurrence.

Protection against a data breach – The last place you want your data to end up is in a criminal's hands. Employee background checks provide extra protection against a data breach and demonstrate that your data destruction vendor is committed to security when dealing with sensitive information.

How many surveillance cameras are in your facility? How long do they store information? How often do you audit footage?

When evaluating a vendor, find out if its facility has enough video surveillance to ensure adequate security. A good rule of thumb is one camera for every 2500 square feet. Following that guideline, a 250,000 square-foot facility should have a minimum of 100 cameras to cover almost every angle in the building.

Most inbound shipments are weighed, processed, and reconciled within a month. Therefore, shortages, missing inventory, or any other discrepancies should be discovered within 30 days. To be safe, your ITAD vendor should keep all video surveillance footage for at least 90 days. Additionally, all footage should be audited for theft, accidents, etc. at least every month.

How long does it take to schedule a pick-up and for the pick-up to occur? Do you have a secure area for the initial delivery?

The two most vulnerable times for a data breach to occur are once equipment is designated for disposition and when it first arrives at your ITAD vendor's facility. Your provider should be able to schedule a pick-up within 24 hours and execute the pick-up within 72 hours. Once the equipment is delivered to the facility, it should be stored in a secure area specifically designated for new deliveries to ensure its safety until it's processed.

Does your company provide a secure chain of custody?

Your ITAD vendor should accept responsibility for your equipment once it is loaded onto their trucks and take it directly to the processing facility. If this is not the case, you may want to request reasoning as to why your material is not being delivered directly to the processing facility.

A completely secure chain of custody means that your vendor conducts pick-up, receipt, reconciliation, end of life processing, refurbishment, data destruction, and commodity harvest all under one roof. The more your vendor subcontracts services to other vendors, the weaker the chain of custody is on your material from shipment to final disposition.

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Can I take a tour of your facility?

Be wary of an ITAD vendor that refuses to let you tour its facility. When selecting a vendor, you should always tour the facility, and look for these warning signs:

- Are there large stockpiles of IT equipment lying around? This could be the sign of a company in financial trouble.

- Are all employees wearing security badges? Identification of strangers in the facility is paramount to security.

- Is the facility highly organized? There should be designated areas for each step of the process.

- Are the workers willing to discuss their experiences? Does your vendor promote a respectful culture?

- Are multiple stakeholders involved during the tour? Your vendor should have multiple subject matter experts from operations, data security, value recovery and brand protection.

Environmental Compliance

Proper disposition of IT assets can be confusing. There are hundreds of ITAD vendors in the United States, and unfortunately, the instances of improper disposition have skyrocketed. Please keep in mind, if your ITAD provider illegally disposes of your IT equipment, you are responsible and can be fined by the EPA. By asking the following questions, you can help lower your risk and ensure you select a vendor that either meets or exceeds all applicable environmental regulations.

What are your certifications?

There are dozens of environmental certifications, **but the two major ones are R2 and e-Stewards.** If your ITAD vendor doesn't hold at least one of these certifications, you are putting yourself and your business at risk. It is important to note that some providers will state that they "follow," "adhere to," or "are complaint" with R2 and e-Stewards certifications. This doesn't make them certified, and again, you are exposing yourself to risk.

R2 – This certification establishes responsible recycling (R2) practices for the recycling of electronics globally. It was developed by a multi-disciplinary group created by the EPA and is managed by the non-profit organization Sustainable Electronics Recycling International (SERI). The R2 Standard:

- Requires annual audits

- Incorporates environmental, health, safety, and security factors surrounding materials that contains mercury, CRT glass, barium, etc., into specific procedures

- Does not allow toxic dumping in incinerators or landfills, or within non-Organization for Economic Cooperation and Development (OECD) countries

e-Stewards – The e-Stewards Standard for Responsible Recycling and Reuse of Electronic Equipment was developed by the Basel Action Network (BAN), a non-profit organization focused on eliminating toxic trade. The e-Stewards standard:

- Forbids transboundary movements of non-functioning IT assets to underdeveloped countries

- Prohibits forced labor (this issue is not covered in the scope of the R2 Standard)

- Requires annual audits

Other certifications

ISO-14001 – This certification, developed by the International Organization for Standardization (ISO), establishes an environmental management plan as a part of an organization's Integrated Management System (IMS.) The certification combines a commitment to the adherence of all environmental laws and proper end-of-life disposition of IT equipment with workplace safety and procedures.

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ISO-9001 – Typically more well-known than ISO-14001, the ISO-9000 family addresses various aspects of quality management. ISO-9001 sets out the criteria for a quality management system based on a number of principles including a strong customer focus, the motivation and implication of top management, the process approach, and continual improvement. This standard helps ensure that customers get consistent, good quality products and services.[2]

Certification in IT Asset Disposition (CITAD) – This individual certification prepares your vendor's account managers to oversee the IT asset disposal process within an organization. CITAD educates individuals on best practices for IT asset disposition, security, and resale. This certification is governed by the International Association of Information Technology Asset Managers (IAITAM).

Who are your downstream vendors?

Processing facilities often send a portion of certain types of IT assets and materials to downstream vendors for processing, including copper, some plastics, and circuit boards. Your ITAD provider should be able to provide a list of every downstream vendor by location and type of material processed. These downstream vendors should also carry their R2 and/or e-Stewards certification.

Do you have a landfill policy?

If you are working with an R2 or e-Steward-certified company, this shouldn't be an issue. But your ITAD vendor should always be able to assure you that no electronics are going into a landfill or being sent to developing countries.

How long have you been in business?

It is a sobering fact that only 50% of businesses will exist after five years. Only one-third make it past their tenth anniversary.[3] This is particularly important to consider when looking for an IT asset disposition provider. For this reason, we recommend selecting an ITAD vendor that has been in business at least 5 years, preferably with annual revenues greater than $25 million.

Maximizing Resale Value

When working with an ITAD provider to properly dispose of your IT assets, your items will be evaluated to determine which assets retain value for sale in secondary markets. Each vendor has different evaluation guidelines and procedures. Here are a few key questions you should ask to ensure the best possible return on investment (ROI) for your assets.

What type and percentage of profit share do you offer?

Most major ITAD vendors offer profit sharing on items that have value. The company's share with the client can range from 50% - 75% of the net sale price. The most common items that retain value for profit share are laptops, desktops, servers, networking equipment, and mobile devices.

It is important to make sure your provider offers a revenue sharing program that maximizes value recovery for your assets while allowing a fair margin for the disposition of non-resale IT equipment.

What is the minimum value you will profit share?

ITAD vendors often establish a minimum value threshold in order for an asset to be eligible for profit sharing. The minimum usually ranges from $50 to $100 per item and will impact the amount of money you will receive. Keep in mind that the value is always assessed after labor, processing, and fees are paid to retail channels.

What types of sales channels do you use and how much annual revenue is generated from these channels?

An effective ITAD company will evaluate assets to select the sales channel with the highest return. The ability to remarket assets through multiple channel types (retail, wholesale, B2B/direct, broker) will maximize the ROI.

Newegg, eBay, Amazon, and internal e-commerce sites are common retail channels. Obviously, the more retail channels your vendor employs, the better your potential ROI. Look for ITAD companies with an established retail department and minimum annual revenues of $2 million to get the best price for your assets.

Data and Reporting

When working with an ITAD vendor, it's critical to have complete visibility into the asset disposition process through customized reporting capabilities.

What types of reporting do you offer and how can I access it?

Ideally, your ITAD vendor should provide a Web-based customer portal for access to information regarding your historic and current assets, as well as robust report generation capabilities. Specifically, your vendor should offer:

Reporting

- Settlement statements that include customer name, pick-up location, lot number, date received, incoming weight, weight by commodity/product, processing charges, date completed, and credit or charge information

- Certificates of Recycling and Data Destruction that include total weight of recycled material and serial numbers

- Audit reports that include manufacturer name, model number, serial number, asset tag number, weight, and the resale value of qualified units

- Remarketing settlement summaries that include manufacturer name, model, serial number, weight, product type, and resale value

Customer portal

- Self-service transactions including online scheduling and report generation

- Automated communications such as email notification of scheduled, received, and finalized material processing

- Analytic reports providing detailed data including equipment information, process tracking, and transaction details (dates, weight, and categories)

- Access to audit documentation (Certificate of Recycling and Data Destruction)

Pricing and Transportation

The question everyone wants answered is "how much?" There are several factors to consider when evaluating pricing. The answer is that there are a variety of pricing structures out there dependent to specific ITAD Vendors. One thing is for sure, if it seems too good to be true, ask more questions as that very well could be the case.

How much do you charge per pound and how often do you update pricing?

All IT assets that are ready for recycling are not created equal. Some items such as laptops, desktops, and servers might be too old for resale, but may maintain value from a commodity level (precious metals, non-ferrous, ferrous), helping to lower the cost per pound. Items such as CRT monitors, LCD monitors, keyboards, and computer peripherals have very little intrinsic value and will be more expensive to properly dispose of than other IT equipment.

Prices vary based on the commodities market, as well as the amount and condition of equipment. Your ITAD vendor should supply you with a very specific rate card for your assets. It is also important to select a provider that updates its pricing annually.

If you provide an itemized list of equipment, your vendor will be able to generate a more accurate cost estimate for proper disposition.

What are the transportation costs? Do you have an internal logistics team?

Based on location, required level of security, and the number of IT assets, transportation can vary greatly. There is no clear-cut way to accurately quote cost unless you can provide very specific answers to questions such as:

- What is the distance from pick-up to processing facility?
- Do these items need to be pre-packaged prior to pick-up?
- Can I dedicate labor to palletize instead of the vendor?
- How many pallets can I store prior to pick-up?
- Can I allow use of a loading dock?
- Is pick-up accessible by tractor trailer?

Whatever the case, given this information, a reputable ITAD company will be able to supply a quote within 24 hours.

If your vendor has an internal logistics team, this will save you money as well as increase your options. With an internal logistics team, you will have access to regional and nationwide networks, as well as "White Glove Service" for companies that need on-site equipment removal and packaging. Due to the sensitive nature of the equipment, it will be removed directly from a desk, office, or warehouse by an agent of the vendor under the supervision of the client.

Conclusion

In today's fast-paced environment, companies are often making critical business decisions in less time and with less experience and guidance than ever before. When it comes to selecting a vendor for the disposition of your IT assets, the process is often more reactionary than proactive, which can ultimately compromise your organization's data security, environmental and legislative compliance, and value recovery.

This white paper has provided you with a list of the must-ask questions to consider when selecting an ITAD provider. If you take the time to gather responses to these critical questions from potential ITAD vendor(s), you can ensure you will make the right selection that will meet or exceed your company's expectations. And by knowing the right questions to ask before you even begin, you can still expect to accelerate your vendor selection process.

About Dynamic Lifecycle Innovations

Dynamic Lifecycle Innovations is a full-service IT asset disposition, data security, electronics recycling, **materials recovery**, and for-hire logistics corporation with locations in Onalaska, Wis. and Nashville, Tenn.

Since the organization's 2007 inception, Dynamic has become an industry leader by building authentic relationships with clients based on integrity, service, quality, and consistency, as well as maximizing value recovery. From global e-scrap purchasing and full spectrum ITAD services, to large scale de-manufacturing and for-hire logistics, Dynamic is constantly evolving to provide customers with cost effective, environmentally sustainable, and confidential solutions in processing electronic assets.

For more information, visit the Dynamic Web site at *www.**thinkdynamic**.com* or email *info@**thinkdynamic**.com*.

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