

Its More Than Disposal

Discrepancy Reporting Delivers Surprising Business Benefits

One of the major challenges of IT asset disposal (ITAD) is maintaining consistent and reliable discrepancy reporting. This allows an organization to ensure that the assets that were on the network are the same assets that are decommissioned, transferred to the ITAD provider for processing, and disposed of properly.

If sensitive data is ever compromised or if PCs turn up overseas or in landfills, organizations can leverage the chain of custody, providing evidence that they transferred devices securely into the hands of reputable professional disposal firms. If they don't have these records or fail to provide them, they may face thousands or even millions of dollars worth of penalties due to the complex web of privacy and environmental regulations.

Many businesses do a good job of capturing asset information while the equipment is in use, but once the computers are taken out of service, automated data capture can be difficult. An "out of sight, out of mind" mentality can creep in. Even the most diligent companies have hallways crowded with equipment awaiting disposal. In many cases, this equipment has not been properly reconciled with internal asset

tracking systems.

Discrepancy reporting can help catch errors before it's too late. By capturing and comparing information about assets in-network, decommissioned, packed for disposition, and received by an ITAD provider, businesses gain peace of mind knowing that the right equipment has been earmarked for remarketing or recycling and that proper data scrubbing has been performed.

There are several ways to track and report on IT assets, and each has different costs and risks. Here are the three most common:

1. Weight – One of the quickest ways to report discrepancies is to use the overall weight of the assets. If 2,580 pounds left the dock and 2,580 pounds were received by the ITAD provider, there is a good chance all the assets made it to the processing center. However, not only does weight provide no details on individual assets, but very small items can cause big problems for a business. For example, memory cards weighing less than an ounce now routinely contain up to 32 GB of information, and lightweight cell phones can contain e-mails, images, and confidential contact information.

2. Physical count – Counting individual assets is a step up from tracking weight, but it too has its challenges. This approach doesn't capture usable information about the individual assets, although it can be useful for basic reconciliation. It's unlikely that many regulators would accept an item count as a valid form of asset tracking.

3. Serial number and asset tag tracking – The most detailed and trackable form of reporting captures serial numbers and asset tags for each asset earmarked for disposal. This unique information can then be matched to internal IT asset tracking systems and used to respond to regulatory inquiries, if needed. Serial number reporting may take more time and discipline, but it is a far safer, more reliable and trackable process.

The Business Case

The job of tracking IT assets that are on their way out the door may seem like a necessary evil, but there are actually many tangible business benefits. The following are some of the



major benefits of discrepancy reporting:

Error avoidance – Even excellent asset management procedures can have weak links. Errors and oversights can result in the wrong equipment being earmarked for disposal, leading to lost asset value or, even worse, lost data. By double-checking each item before it leaves the loading dock, expensive and embarrassing mistakes can be avoided.

Liability – With credit card and identity theft proliferating, regulators are coming down hard on businesses that fail to keep detailed and auditable records of their electronic assets. Some compliance rules require disposal to be tied to specific serial numbers, even down to the component level. Penalties for poor asset reporting can run into seven figures, especially if security or environmental considerations are involved. Sound reporting is the best defense against legal action. Moreover, some assets may be covered by lease terms that stipulate residual value. If those assets are mistakenly thrown away, replacement costs could be laden with penalties.

Warranty and maintenance compliance – Many businesses have so many warranties and maintenance contracts on their IT equipment that it's impossible to keep track of all of them. Significant costs can be avoided by repairing equipment under contract instead of replacing it. When combined with good asset management practices, discrepancy reporting can identify



assets that are eligible for warranty or maintenance repair. Conversely, report reconciliation can flag instances where maintenance fees are being paid on equipment that the customer no longer owns.

Accounting accuracy – Careful asset management ensures that equipment is fully depreciated before disposal. By knowing precisely which assets are going out the door, accountants can realize the depreciation benefits to which the company is entitled. For equipment that isn't fully depreciated, discrepancy reports identify assets that can be fully written down upon

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Software license recovery – One of the most valuable benefits of discrepancy reporting is software license transfer. Many businesses fail to take advantage of all their rights to transfer software from an end-of-life machine to a new one. These savings can add up to several hundred dollars for standard office software licenses and can run into the thousands for industry-specific and specialized applications. Businesses need to consider every opportunity to maximize the value of these licenses and their associated maintenance contracts. Converge asset disposal professionals have recovered as much as \$20,000 worth of usable software from a single machine.

Discrepancy Reporting Best Practices - As you can see, the benefits of disciplined asset reporting go well beyond regulatory compliance. Cost avoidance, depreciation, and license transfer savings can offset much of the cost of ITAD services. The question is, what level and quality of reporting is right for your business?

Choices need to be matched to business needs, taking into account such factors as regulatory requirements, quality of



existing internal asset management systems, and potential savings. Let's look at a few of the options.

The premier reporting packages can provide detailed



Which number is the right one? Many IT components have multiple identifier numbers. Experienced ITAD providers know which ones to capture.

tracking down to the individual component level in real time with Web-based tools. While few businesses need to capture information about every single IT component they own, some equipment needs to be tracked at a high level of detail for liability and compliance purposes.

For example, disk drives, flash memory devices, and cell phones may contain proprietary customer data and information about the business. A thriving black market already exists overseas for disk drives recovered from discarded PCs and the data that's on them. Regulated businesses need to establish a reliable chain of ownership in order to prove that assets have been passed into the hands of a reputable disposal firm and have been discarded or repurposed safely.

Professional ITAD providers can capture the serial numbers of individual disk drives and provide detailed reports on their disposition at any point in the disposal process. This requires special expertise, since many disk drives have multiple serial numbers from the OEM and the PC vendor. Trained experts can identify the critical information to capture and thereby avoid confusion.

Software is an asset, too. Businesses that track information about their software down to the individual package level can optimize the value of their license and maintenance agreements, avoid duplicate purchases, and recover the value of licenses they didn't know they had. Savings can add up to hundreds or even thousands of dollars per computer.

Professional asset disposal firms use sophisticated software discovery tools to audit the contents of individual computers and identify the software installed on them. The best companies can discover and document every license on a computer for reconciliation with internal records.

In both cases, automation greatly reduces the risk of error. Bar code scanners, optical character recognition readers, and sophisticated license-discovery tools are used to capture serial number data. Then standardized labels are applied to all equipment for continued tracking after it leaves the customer site. In the best scenario, each component is scanned twice: once at the customer location and again at the point of disposal. This final-stage check minimizes the possibility that useful assets will be discarded.

Indirect Benefits

Businesses that employ high-quality discrepancy reporting often find unanticipated benefits as well. Many of them discover that the discipline required for discrepancy reporting also enhances knowledge of their own inventory. Once they realize the advantages this knowledge gives them in terms of cost recovery and error avoidance, they discover new ways to save money with their deployed assets. Best practices for discrepancy reporting can thus form the foundation of good internal asset management.

Finally, there is the peace of mind that IT managers gain from knowing that valuable data and software hasn't been mistakenly discarded and that detailed audit records exist for inventory even after it has left the company. Because mistakes often aren't uncovered for weeks or months after disposal, this knowledge can prevent many sleepless nights.

Opportunity sometimes comes disguised as a problem.

Businesses that take a creative approach to the problem of IT asset disposal are learning that there are unanticipated and rewarding business benefits to be realized in gaining better knowledge of their assets and operations.

Critical Reports
The reports a professional ITAD provider should provide customers include:

- Hardware asset inventory
- Software license inventory
- Unit serial number
- Confirmation of asset transfer
- Status of disposition
- Method of disposition
- Certificates of Compliance

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