We found that the failure of the Department to so route this traffic had resulted from its policy of ascertaining the availability of Government-owned circuits only before a commercial circuit was to be leased. No reviews were made thereafter to periodically assess the availability of Government-owned circuits. The potential for these savings may have been revealed had periodic reviews been made.

In commenting on our findings, the Deputy Assistant Secretary of Defense (Supply and Services) agreed that the Department's controls over the use of communications circuits in Europe had not been adequate and that leasing costs might have been reduced if the identified circuits had been canceled and the traffic otherwise routed.

We have been advised that a program has been initiated for annual reviews of communications systems in Europe. Such reviews are to be performed in all overseas areas where leased and Government-owned circuits coexist.

We believe that the corrective actions planned by the Department of Defense will, if properly implemented, improve its management of communications in Europe. We plan, as part of our continuing review of Department of Defense activities, to follow the actions taken.

Ten of the 64 circuits were canceled following discussion of our finding with Department officials. The Department did not consider it prudent to cancel the remaining 54 circuits until the circuit requirements of its planned worldwide Automatic Voice Network became known.

Since the first Automatic Voice Network switching centers are scheduled for activation no earlier than November 1968, significant savings can be realized by canceling, where possible, those leased circuits whose traffic can now be accommodated on the Government-owned circuits. We recommended that the Department of Defense study the remaining 54 circuits to determine which circuits can be canceled rather than reserved for future possible use in the Automatic Voice Network.

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Review of Inventory Accounting Systems for Aeronautical Equipment, Department of the Navy

The General Accounting Office has reviewed the Navy's inventory accounting systems for approximately $2.2 billion worth of aeronautical spare parts and equipment. We found that the systems did not provide management with the information necessary for efficient and economical operations and management of its resources. The Navy is implementing an immediate and comprehensive plan for effecting necessary improvements in the inventory accounting systems.

Generally, the causes of the conditions which we found were—

The failure of operating personnel to follow written instructions and procedures.

The lack of necessary internal controls in the systems.

The lack of effective identification and reporting to top management of those matters requiring attention.

The Navy concurred, in general, with the results of our review and acknowledged the need for improvement in the accuracy of inventory data. The Navy stated that the General Accounting Office would be kept fully informed of its progress in making improvements.