

Industrial Funding Fee Reports Update

A confirmation prompt reduced financial self-reporting errors initially, but the effect did not persist in subsequent periods

Agency Objective Reduce financial self-reporting errors using a re-designed data entry form.

Background Federal vendors are required to pay a fee, called the industrial funding fee (IFF), currently set at 0.75 percent of quarterly sales on certain transactions. The size of the IFF payment is determined from self-reports submitted via a website (<https://72a.gsa.gov/>). In fiscal year 2013, the General Services Administration (GSA) collected approximately \$269 million in IFF across roughly 47,000 transactions.

Program Change The GSA introduced a confirmation prompt as part of the IFF data-entry form in order to reduce financial self-reporting errors. The prompt was included at the beginning of the form prior to users entering financial information, and it asked users to affirm “I promise that the information I am providing is true and accurate.” Research has shown that inserting such a prompt reduces self-report errors if done at the beginning of a form; prompts at the end of a form seem to have no effect.¹

Evaluation Methods The randomized controlled trial was fielded during the third reporting quarter of 2014, where vendors (n = 18,477) were randomly assigned to use either: (a) the existing reporting system (control); or (b) a modified interface (treatment), redesigned to include the confirmation prompt. Administrative data on paid IFF provided the primary outcome measure. After the trial was completed in the third quarter of 2014, the modified interface remained in place in subsequent quarters for vendors in the treatment

group.

Results In the quarter immediately following the implementation of the modified interface, the median self-reported sales amount was \$445 ($p < 0.05$, 95% CI [87, 803]) higher for vendors signing at the top of the form compared with those vendors who were not required to make this confirmation. The increase in IFF remittances in the treatment group in just the third quarter of 2014 was \$1.59 million.

Self-reported sales in subsequent quarters after the trial was concluded (fourth quarter 2014 through third quarter 2015) were still higher for treatment group vendors than for those in the control group, but the difference was not statistically significant in any quarter. Compared to vendors in the control group, reported sales for vendors signing at the top of the form were \$357 ($p=.51$, 95% CI [-715, 1430]) higher in the fourth quarter 2014, \$619 ($p=.31$, 95% CI [-580, 1819]) higher in the first quarter 2015, \$434 ($p=.49$, 95% CI [-796, 1664]) higher in the second quarter 2015, and \$1,475 ($p=.07$, 95% CI [-135, 3085]) higher in the third quarter 2015.

Conclusion Confirmation prompts at the beginning of a form are a promising approach to reducing financial self-reporting errors, especially given the near-zero marginal cost to implement. However, continued exposure to the confirmation prompt does not appear to induce a persistent reduction in errors over time.

¹Lisa L. Shu, Nina Mazar, Francesca Gino, Dan Ariely, and Max H. Bazerman, “Signing at the Beginning Makes Ethics Salient and Decreases Dishonest Self-Reports in Comparison to Signing at the End,” *Proceedings of the National Academy of Sciences* 109 (2012):15197–15200.