



Housing Contract Administration

Conflict of Interest

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GUIDANCE

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Notice

Kentucky Housing Corporation (KHC) provides this guidance as a resource for conflicts of interest that may arise through the administration of the following federal and state funding sources administered by KHC's Housing Contract Administration Department:

- HOME Single Family Production
- Kentucky Affordable Housing Trust Fund (AHTF) Single Family Production
- AHTF Single Family Repair
- Rural Housing Trust Fund (RHTF) Single Family Production
- RHTF Single Family Repair
- HOME Tenant Based Rental Assistance (HOME TBRA)
- Housing Opportunities for Persons with AIDS (HOPWA)
- Emergency Solutions Grant (ESG)
- Continuum of Care (COC)
- American Rescue Plan Emergency Rental Assistance (ARP-ERA)
- HOME - ARP

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Please contact a KHC technical assistance representative at the [Housing Contract Administration \(HCA\) Help Desk](#) if you have questions or need additional assistance.

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Section I - Conflict of Interest Policy

Kentucky Housing Corporation Conflict of Interest Policy: All KHC-funded partner agencies are responsible for identifying situations in which a conflict of interest, whether real or perceived, may exist. If a potential conflict of interest is identified, in addition to following any agency conflict of interest policy, the KHC funded partner agency **MUST** request an exemption and receive written approval from KHC using the steps addressed in this guidance prior to assistance being provided.

Types of potential Conflict of Interest transactions: This list is not all-inclusive.

- **Non-Procurement Conflict of Interest transactions:** In general, all HUD Community Planning and Development Program regulations (HOME, ESG, COC, & HOPWA) prohibit grant-assisted activity benefiting funded partner agency employees, board members, or relatives of employees and board members.
- **Procurement Conflict of Interest transactions:** In general, 2-CFR 200 prohibits procurement of goods or services from organizations with an organizational or individual conflict of interest.
- **Organizational Conflict of Interest transaction:** An Organizational Conflict of Interest arises when an agency, due to its activities, or relationships with other persons or organizations, is unable (potentially unable, or even has the appearance of being unable) to perform objectively.
- **Kentucky Non-Profit Conflict of Interest Transaction:** KRS 273.219 – (1) A conflict of interest transaction is a transaction with the nonprofit corporation in which a director of such corporation has a direct or indirect interest...(2) For the purposes of this section, a director of a nonprofit corporation shall be considered to have an indirect interest in a transaction if: (a) Another entity in which he has a material financial interest or in which he is a general partner to a party to the transaction; or (b) Another entity of which he is a director, officer, or trustee is a party to the transaction and the transaction is or should be considered by the board of directors of the corporation.

Section II – Due Diligence Documentation

The KHC Funded partner agency should obtain and maintain evidence that the following groups have been **asked to identify** potential conflicts of interests:

- **Employees and volunteers –**

1. Partner agencies must **gather & maintain** certain information regarding employees and volunteers for KHC’s Conflict of Interest Compliance review. This information includes but is not limited to:
 - Names, titles and duties
 - Residential address
 - Names of other adult household members
 - Other Employers, business relationships, and/or other organizations this person may have ties with.
 - Employers of other adult household members, including business relationships, or other organizations the other adult household members are associated with.
2. Partner agencies must ask conflict of interest questions and document those answers by having the Employee (or volunteer) complete a Conflict of Interest Certification, on an annual basis. The questions to ask are:
 - Are you or anyone in your household related to or have a business relationship with a program participant (i.e. client)?
 - Are you or anyone in your household related to or have a business relationship with a contractor, a vendor, or a landlord that is paid by this agency?
 - Are you or anyone in your household related to or have a business relationship with a board member of this agency?
 - Are you or anyone in your household receiving payments from this agency other than normal wages and/or expense reimbursements associated with your employment?
3. Partner agencies must obtain and maintain a written narrative and/or explanation of any yes answer from the above questions. Then reach out to KHC to determine if a conflict of Interest disclosure and/or waiver is required.

- **Board members –**

1. Partner agencies must **gather & maintain** certain information regarding Board Members for KHC’s Conflict of Interest Compliance review. This information includes, but is not limited to:
 - Name & position/title on the board
 - Residential address
 - Email address

- Names of other adult household members
 - Employers, business relationships, and/or other organizations this person may have ties with.
 - Employers of other adult household members, including business relationships, or other organizations the other adult household members are associated with.
2. Partner agencies must ask conflict of interest questions and document those answers by having the Board Member complete a Conflict of Interest Certification on an annual basis. The questions to ask are:
- Are you or anyone in your household related to or have a business relationship with a program participant (i.e. client)?
 - Are you or anyone in your household related to or have a business relationship with a contractor, a vendor, or a landlord that is paid by this agency?
 - Are you or anyone in your household related to or have a business relationship with an employee of this agency?
 - Are you or anyone in your household receiving payments from this agency?
3. Partner agencies must obtain and maintain a written narrative and/or explanation of any yes answer from the above questions. Then reach out to KHC to determine if a conflict of Interest disclosure and/or waiver is required.
- **Contractors/vendors/suppliers/Landlords & all other entities paid by the partner agency –**
 1. Partner agencies must **gather & maintain** certain information regarding any entity paid by the partner agency for KHC’s Conflict of Interest Compliance review. This information includes, but is not limited to:
 - The entities legal name as registered with the KY Secretary of State’s office, or if not a registered company, the name of the person being paid
 - Address
 - Contact information (phone number, email address)
 2. Partner agencies must ask conflict of interest questions and document those answers by having the contractor, vendor, landlord or other entity complete a Conflict of Interest Certification. The questions to ask are:
 - Are you or anyone in your household related to or have a business relationship with a program participant or this agency?
 - Are you or anyone in your household related to, or have a business relationship with, an employee, board member, or relative of an employee or board member of this agency?

- National retailers like Wal-Mart, Kroger, etc. are exempted from completing the conflict of interest certification unless there is a known family, personal or business relationship between the partner agency and the retailer that needs to be disclosed.
 - 3. Partner agencies must obtain and maintain a written narrative and/or explanation of any yes answers from the above questions. Then reach out to KHC to determine if a conflict of Interest disclosure and/or waiver is required.
- **Clients and program participants -**
 1. Partner agencies must ***gather & maintain*** certain information regarding clients and program participants for KHC's Conflict of Interest Compliance review. This information includes but is not limited to:
 - Names of client
 - Residential address
 - Names of other adult household members
 - Employers of client and other adult household members, business relationships, and/or other organizations these persons may have ties with.
 2. Partner agencies must ask conflict of interest questions and document those answers by having the client and other adult household members complete a Conflict of Interest Certification. If the client household remains in the program for more than one year, this information must be updated on an annual basis. The questions to ask are:
 - Are you or anyone in your household related to or have a business relationship with an employee at this agency?
 - Are you or anyone in your household related to or have a business relationship with a board member of this agency?
 - Are you or anyone in your household related to or have a business relationship with a contractor, a vendor, or a landlord that is paid by this agency?
 - Are you or anyone in your household receiving a payment from this agency other than the assistance and services of the program?
 3. Partner agencies must obtain and maintain a written narrative and/or explanation of any yes answers from the above questions. Then reach out to KHC to determine if a conflict of Interest disclosure and/or waiver is required.

Section III – Conflict of Interest Procedures

Step 1: Determine if a *potential* conflict of interest exist

- A. Gather the necessary due diligence documentation as directed in Section I
- B. Review and analyze the information.
- C. Research any connections or ties identified. Research may consist of
 - a. Internet searches (Secretary of State website, Google searches, Social Media searches, etc.)
 - b. Discussions with the interested parties
- D. Document every step taken and the results or outcome of each step

Common Conflict Scenarios:

Potential conflicts of interest may arise from many situations. Use the decision tree located at the end of this publication to determine if the situation is or has the appearance of a potential conflict of interest. Some common examples of potential conflicts of interest are, but not limited to the following scenarios.

- A client presents for assistance and/or services and this client is related to someone who works at the agency or who is a board member of the agency.
- A vendor or contractor hired by the agency is related to someone who works at the agency or who is a board member of the agency.
- A landlord for an assisted unit is related to someone who works at the agency or who is a board member of the agency.
- A board member works for a company that has been hired to perform work for the agency.
- A landlord/vendor/contractor for an assisted unit is related to the client being assisted.*
- An affiliated, subsidiary, or related agency is receiving or being paid with grant funds for a product or service.
- A volunteer or employee at the agency applies for assistance.
- A family member of a volunteer or employee applies for assistance.
- A vendor or contractor used by the agency for grant related expenditures is asked to donate money, goods, or services to an agency fund-raising event.
- A provider of professional services (Banker, Accountant, Lawyer, etc.) is associated with a member of the board, or an employee of the agency.

*HOPWA allows for a possible exception to the potential conflict of interest created between a landlord and the assisted client by means of a “reasonable accommodation.” For more information, please see the HOPWA rule.

It is the partner agency's responsibility to identify, disclose, and document potential conflicts of interest. Not doing so can result in: findings; frozen, forfeiture or repayment of funds; suspension; debarment; and/or potential prosecution.

Conflicts of interest are situations and not allegations. ***Even the appearance of a conflict is a potential conflict of interest.*** If you have questions on whether something constitutes a conflict of interest, you should contact your legal counsel for advice or contact KHC for guidance prior to initiating the transaction.

Step 2: Notify KHC in Writing by Completing & Submitting a waiver request

- A. Notify KHC in writing of any potential conflict of interest situation and inquire as to whether a waiver request for a conflict of interest exemption is necessary.
- B. If necessary or if instructed by KHC, use the Modification/Waiver Request form in the draw management system to request a conflict of interest exemption. The request must be accompanied with the items listed below. If your request does not include each item below, the request is incomplete and will not be processed.
 - **A written narrative** of the potential conflict of interest situation or transaction. This narrative must be detailed and include all the necessary information. To ensure all necessary information is included, make sure you have provided the who, what, when, where, why and how. The narrative should also indicate why you do or do not believe it is an actual conflict of interest.

The narrative should give specific information such as an identifier for the person (Initials), titles, duties and whether these duties or persons work with KHC or the federal funding. It should explain exactly how the conflicted situation came about, and it should explain any procedures the partner agency followed from the Agency's own conflict of interest policy along with the outcome or result.

- **Example # 1:** If the situation involves an employee's and/or board member's relative who is seeking assistance, you must detail:
 - 1) Exactly how the person seeking assistance came to know about the program;
 - 2) How they applied;
 - 3) The employee's and/or board member's role at the agency;
 - 4) Whether or not the employee and/or board member is involved with the KHC or federal funding and if so, how they are involved;
 - 5) What the normal application process is;
 - 6) Who are all the persons normally involved in the application and approval process; and was this application handled any differently. Why or why not?
 - 7) An indication of whether this person seeking assistance is eligible for the program in every other way; and
 - 8) Whether the agency believes granting this exemption would be furthering the mission of the program
 - 9) Whether the agency believes this situation does not constitute an actual conflict and why or why not.

- **Example # 2:** If the potential COI situation involves a vendor/landlord who is related to an employee or board member, then you must detail:
 - 1) Exactly how the vendor is related to the employee/board member;
 - 2) How the vendor/landlord was selected (explain the bid process, if a bid; the quoting process, if a quote; or other vendor/landlord selection method used);
 - 3) Identify all the persons normally involved in the vendor/landlord selection process and whether the conflicted employee/board member had a role in that process;
 - 4) Whether and how the employee or board member may benefit from this transaction;
 - 5) Whether using this vendor or choosing another would be detrimental to a program participant and or the program.
 - 6) Why an exception should be granted for this vendor and how that would further the mission of the program.

The examples above do not encompass all the different types of conflict situations; however, they give the idea of the level of detail needed in the narrative for the most commonly seen potential conflict of interest situations. KHC and/or the federal funder (e.g., HUD/US Treasury) may determine that additional information is needed to make a determination. To avoid delays in processing the request, it is best to be as detailed as possible with the narrative initially submitted.

- **A letter from legal counsel:** A letter from the partner agency's legal counsel is required. This letter must confirm that counsel has reviewed the specific circumstances of the potential conflict and has conducted the necessary legal research to determine whether granting the conflict of interest exception would violate any applicable laws, regulations, statutes, or local ordinances.
- **Agency's Procurement Policies:** **Only For conflicts related to a financial transaction** (a contract, or the purchase of goods or services), partner agencies must submit a copy of the agency's procurement policies. Submitting these policies with the waiver request, will speed up the process of a COI waiver request.
- **Agency Bylaws:** The partner agency's bylaws and/or the incorporation documents. Submitting these documents will speed up the process of a COI waiver request.
- **Evidence of public disclosure:** Public disclosure is typically demonstrated through a board meeting that is open to the public and properly advertised via public notice.
 - ***If HOME funding*** is involved, at least **two forms of public notice are required.**
 - For all other funding sources, one form of public notice is sufficient.

The public notice must:

- Be issued in advance of the meeting
- Clearly state the date, time, and location of the meeting;

- Identify the nature of the potential conflict or transaction being disclosed,
- Be accessible to the general public through appropriate channels (e.g., newspaper, agency website, public bulletin board)

A. Acceptable forms of public notice:

1. **Website Posting** (Including Social Media) – A notice published on the agency’s official website qualifies as a valid posting. However, posting to both the website and the agency’s social media page is considered a single posting. Social media alone is not sufficient, as access typically requires a username and password, and therefore may not be considered fully “open to the public.”
2. **Electronic mailings** – (emails)
3. **Media Advertisements** (Newspaper and/or Television)
4. **Public Service Announcements** (Radio and/or Local Access Cable Channel)
5. **Display in public areas** – such as libraries, grocery store bulletin board, and neighborhood centers.

B. Documentation of public notice: To demonstrate compliance with public disclosure requirements, the following documentation must be provided based on the method(s) used:

1. Website/Social Media Posting:

- A screenshot of the page displaying the public notice.
- The screenshot must clearly show the URL (address bar) and a visible date and time stamp.
- The notice must remain posted until a written response is received from KHC and/or the applicable federal funding agency (e.g., HUD, U.S. Treasury).

2. Electronic Mailings:

- Copies of the email communications,
- Documentation verifying the recipient email addresses to which the mailings were sent.

3. Media Advertisement:

- **Newspaper:**
 - A copy of the newspaper page containing the notice.
 - The copy must clearly show the name of the publication and the date(s) of publication.
- **Television:**
 - Obtain source documentation from the station (or affidavit) confirming the name of the stations, the agreement, the

information contained in the video, the scheduled dates and times the video aired.

- The agency should maintain a copy of the video, as it may be required by request of KHC Legal and/or HUD

4. Public Service Announcement :

- Source documentation from the station (or affidavit) confirming the name of the station, the agreement, the information contained in the PSA, the scheduled dates and times the announcement aired.
- The agency should maintain a copy of the audio file, as it may be required by request of KHC Legal and/or HUD

5. Display in public areas:

- Provide a photo of the bulletin board showing the display of the public notice.
- The image should be clear enough to read the notice while also capturing enough of the surrounding area to confirm it is located in a publicly accessible space.

6. Board Meeting Minutes:

- A copy of the official minutes from the public board meeting where the potential conflict was disclosed and discussed.
- The minutes must document any motions and decisions made regarding the conflict.
- Any board member with a conflict must abstain from voting, and this must be clearly noted.
- The minutes must be signed by an unconflicted officer of the board.

Important Reminder:

Submitting a waiver request **does not authorize** a KHC-funded partner agency to proceed with any activities related to the transaction involving the potential conflict of interest.

A waiver or exception is **not considered granted** until the agency receives formal written approval from KHC and/or the applicable federal funding agency.

Step 3: Waiver Request Process

Once KHC receives the waiver request documentation, it will be forwarded to KHC's Legal Department for review. Legal will determine whether the request must be escalated to the appropriate federal funding agency (e.g., HUD, DOE, U.S. Treasury) for further consideration.

If the conflict involves state funds, KHC Legal will make the final decision regarding the waiver.

For federal funds, the federal agency will assess whether the request meets the threshold requirements and qualifies under the applicable regulatory exceptions. KHC and/or the federal agency may request additional information as needed.

Step 4: The Decision

The KHC-funded partner agency will receive a formal decision in writing. No activities related to the transaction may begin until this written determination is received. Proceeding without written approval will result in noncompliance and may result in repayment of any funds spent on an ineligible transaction.

Section IV – Resources

Definitions

Employee: For the purpose of conflict of interest, the term employee includes both paid and unpaid (such as volunteers), as well as those persons paid on a contract basis, and those persons acting as an agent or consultant, or on behalf of the funded partner agency.

Exception: The mechanism by which HUD waives the conflict-of-interest provisions.

Covered Individual: Includes, but is not limited to employee, agent, consultant, officer, board member, director, elected or appointed official, volunteer, representative, and/or any individual who:

- Participates in decision-making directly or indirectly related to a funded activity
- Gains financial benefit directly or indirectly from a funded activity
- Is in a position of influence or authority over a funded activity
- Is an immediate **family member** or business associate of any individual listed above

Covered Entity: Includes, but is not limited to Recipient agency, subrecipient agency, affiliated company (parent, subsidiary, or sister), entities related by shared employees or board members.

Family ties (i.e., what does “related to” encompass? Who is a relative?): The spouse, parent, child, brother, sister, grandparent, grandchild, including steps, and in-laws; and any person cohabitating with a covered person, as well as any immediate family member related by blood, marriage, or adoption, but not distant relations such as cousins, aunts, uncles, who do not reside with the covered person.

Example # 1: A cousin living with the covered person is a potential conflict. A cousin not living with the covered person would not be a potential conflict.

Example # 2: A brother or stepbrother living with the covered person is a potential conflict. A brother or stepbrother not living with the covered person is still a potential conflict.

Individual Conflict of Interest: An employee, agent, consultant, officer, elected official, or appointed official, or other person working on behalf of the funded partner agency:

1. Who exercises or has exercised any function, or responsibility with respect to activities assisted under the funded program, *or*
2. Who is in a position to participate in a decision-making process, *or?*
3. Who gains inside information with regard to activities assisted under the program...

...For either him or herself, or for those with whom he or she has family or business ties, during his or her tenure or during the one-year period following his or her tenure.

Non-Procurement: Transactions that do not involve the procurement of goods, or services.

Organizational Conflict of Interest: Because of relationships with a parent company, affiliate, or subsidiary organization, the funded partner entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

Procurement: Procurement is the process of obtaining any property (purchase or lease), supplies, equipment or services. Some common services include employment, construction, engineering or architecture services, legal services, accounting services, etc.

Vendor: Any individual or business from whom your agency purchases goods or services—either for your organization or on behalf of clients. This includes, but is not limited to: building contractors, landlords, office supply companies, consultants, Certified Public Accountants (CPAs), attorneys, banks, and similar service providers.

Waiver request: A formal written request to have a rule or regulation set aside or overridden.

Decision Tree

Types of Conflicts of Interest

