



Housing Contract Administration

Partner Agency Conflict of Interest Policies & Procedures

November 2025

BEST PRACTICES

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Notice

Kentucky Housing Corporation (KHC) provides these Best Practices as a resource to assist Partner Agencies to develop and/or update their Conflicts of Interest Policies & Procedures to meet KHC and HUD standards. These Best Practices apply to 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)
- 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.

Purpose

These Best Practices explain what partner agencies must include in their own Conflict of Interest (COI) Policies & Procedures. These elements help ensure that all agencies receiving funds from KHC follow federal, state, and KHC rules and regulations. A strong COI policy protects the integrity of your agency's work and ensures fair and lawful use of public funds.

IMPORTANT TERMS AND THEIR MEANINGS

KHC 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 specific conflict of interest policy, the Partner agency **MUST** also request an exemption and receive written approval from KHC and or the federal funding source.

Non-Procurement Conflict of Interest transactions: A Non-Procurement Conflict of Interest occurs when a person involved in a HUD-funded housing activity—such as rental assistance, housing repair, or supportive services—has a personal or financial relationship that could improperly influence decisions or outcomes, even though no goods or services are being purchased.

These types of conflicts are governed by HUD regulations for programs such as HOME, ESG, CoC, and HOPWA, and typically involve situations where:

- A staff member, board member, or their relative may benefit from the housing assistance or services being provided.
- A covered individual is in a position to influence decisions about who receives assistance or how assistance is delivered, and they or someone close to them stands to gain from that decision.

Examples on non-procurement conflict of interest transactions include:

- A case manager's family member applies for rental assistance.
- A board member's relative is selected for a housing rehabilitation project.
- An agency volunteer refers a friend to receive services and is involved in the intake or approval process.

These transactions do not involve purchasing goods or services (which would fall under procurement), but they still require disclosure and often a waiver or exception from KHC or HUD before proceeding.

Procurement Conflict of Interest transactions: A Procurement Conflict of Interest occurs when a person or organization involved in the purchase of goods or services using HUD or KHC grant funds has a relationship that could improperly influence the selection process or the outcome of the procurement.

These conflicts are governed by 2 CFR 200.318(c)(1) and apply to all HUD-funded programs, including HOME, ESG, CoC, and HOPWA.

A procurement conflict may exist when:

- An employee, officer, agent, or board member of the agency (or their family member or business associate) has a financial or personal interest in a company bidding for or receiving a contract.
- The agency contracts with a vendor that is owned by or employs someone closely connected to a decision-maker at the agency.
- The agency fails to conduct a fair and open procurement process due to favoritism or insider influence.

Examples include:

- Hiring a contractor who is related to a board member.
- Awarding a legal services contract to a firm where the executive director's spouse is a partner.
- Selecting a vendor based on personal relationships rather than qualifications or price.

Organizational Conflict of Interest transaction: An Organizational Conflict of Interest (OCI) occurs when a partner agency, because of its relationships with other organization, such as a parent company, affiliate, or subsidiary, is unable or appears to be unable to act fairly and objectively in carrying out a HUD-funded activity.

This type of conflict typically arises when:

- The agency has a business or governance relationship with another organization involved in the same project or procurement.
- The agency is in a position to influence decisions that could benefit a related organization.
- The agency's independence or impartiality is compromised—or appears to be—because of shared leadership, staff, or financial interests.

Examples include:

- An agency contracts with a company that is owned by a board member.
- A partner agency selects a vendor that is a subsidiary or sister company of the partner agency.
- A partner agency subcontracts property management services to a company that shares several board members with the partner agency. Because of the shared governance, the agency may

not be able to objectively evaluate the company's performance or hold it accountable, creating a conflict of interest.

Key Points:

- Even the appearance of bias or favoritism can trigger an organizational conflict.
- Agencies must disclose these relationships and may need to request a waiver or exception before proceeding.
- HUD and KHC require agencies to maintain objectivity and transparency in all funded activities.

Kentucky Non-Profit Conflict of Interest Transaction: Under KRS 273.219, a conflict-of-interest transaction occurs when a director of a nonprofit corporation has a direct or indirect interest in a transaction involving the corporation.

A transaction is not automatically invalid due to the conflict if one of the following conditions is met:

- **Disclosure and Approval:**
The material facts of the transaction and the director's interest were disclosed to the board of directors (or a properly authorized committee), and the board or committee authorized, approved, or ratified the transaction.
- **Fairness:**
The transaction was fair to the corporation at the time it was entered into.

A director is considered to have an indirect interest in a transaction if:

- (a) Another entity in which the director has a material financial interest is a party to the transaction; or
- (b) Another entity of which the director is a director, officer, general partner, manager, trustee, or holds a similar position is a party to the transaction, and the transaction is or should be considered by the board of directors.

Additionally:

- A director with a conflict bears the burden of proving that the transaction was fair to the corporation.
- Authorization of the transaction must be by a majority of disinterested directors, even if that number is less than a quorum.
- A single director cannot authorize or ratify a conflict-of-interest transaction.
- Authorization may be delegated to a committee, provided no conflicted director serves on that committee.

Employee: For the purposes of conflict of interest, the term employee refers to any individual who performs work on behalf of the partner agency, regardless of compensation status. This includes:

- Paid staff (full-time or part-time)
- Unpaid individuals (such as volunteers)
- Individuals paid through contracts
- Agents, consultants, or any person acting on behalf of the agency in any capacity

Exception: A formal process through which HUD grants written approval to waive specific conflict-of-interest requirements under defined circumstances.

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.

Dualities of Interest: A situation in which an individual holds two roles or relationships that may influence their ability to act fairly and without bias. These interests may not be direct financial conflicts but can still affect judgment or create the appearance of favoritism.

Examples:

- A board member also serves on the board of another organization applying for the same funding.
- A staff member volunteers for a nonprofit that is a vendor or partner of their employer.

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 or activities that do not involve the purchase or contracting of goods or services. These may include the delivery of direct assistance, program administration, or other non-purchasing functions supported by HUD or KHC funding

Procurement: The structured process of acquiring property, supplies, equipment, or services, either through purchase or lease, using agency or grant funds. This includes, but is not limited to, services such as construction, engineering, architecture, legal counsel, accounting, and employment-related contracts.

Vendor: An individual or business entity from whom the agency purchases goods or services, either for internal operations or on behalf of program participants. This includes, but is not limited to, contractors, landlords, office supply providers, consultants, certified public accountants (CPAs), attorneys, financial institutions, and other professional service providers.

Waiver request: A formal, written request submitted to the appropriate oversight agency (KHC and/or HUD) seeking approval to bypass or make an exception to a specific rule, regulation, or policy requirement under defined circumstances.

BEST PRACTICE RECOMMENDATIONS FOR PARTNER AGENCY WRITTEN CONFLICT OF INTEREST POLICIES

Important Disclaimer

The following recommendations are intended for informational purposes only and does not constitute legal advice. Partner agencies are strongly encouraged to consult with qualified legal counsel before adopting or revising any conflict of interest policies to ensure compliance with applicable laws and funding requirements.

KHC has identified eight core components that form the foundation of a strong, enforceable Conflict of Interest Policy. As a best practice, KHC recommends that all partner agencies develop and implement written policies and procedures that incorporate these eight elements at a minimum. Doing so promotes transparency, accountability, and integrity in the administration of HUD- and KHC-funded programs.

The policy should be structured to help the agency effectively identify, disclose, and manage actual, potential, or perceived conflicts of interest involving board members, officers, key employees, and other covered individuals. It should serve as a practical, step-by-step guide for staff and board members to follow when navigating potential conflict situations.

- 1. Clear Definitions**, of what constitutes a conflict of interest, including financial and non-financial interests, dualities of interest, and relationships that may impair objectivity. These definitions should reflect the language from the regulation of each KHC Administered funding source. Agencies are also encouraged to include common examples of conflict scenarios to support understanding and application.
- 2. Disclosure Requirements**, mandating that all covered individuals and covered entities, disclose any potential conflicts at the time of appointment/engagement and on an ongoing basis as circumstances change. The terms “covered individuals” and “covered entities” is defined in the HCA Conflict of Interest Guidance Manual.
- 3. Annual Conflict of Interest Questionnaire**, to be completed and signed by all board members and employees annually, affirming their understanding of the policy and disclosing any relevant interests. It is recommended that this be in the form of a questionnaire instead of just a signed statement that says, “I have no conflict of interest to report.” That type of statement is likely to be signed by a person who is not fully aware of all the types and instances of conflict of interest that may arise. The HCA Conflict of Interest Guidance Manual (October 2025) indicates the types of questions that should be asked under the Due Diligence section, depending on the type of individual.
- 4. Recusal Procedures**, individuals with a potential, perceived, or actual conflict of interest must recuse themselves from all deliberations, decision-making, and work related to the subject matter of the conflict. This includes abstaining from voting and being removed from any access to related information or involvement in the case. Example: If a case manager’s sister applies for assistance, and the conflict is disclosed and approved, the case manager must still not be involved in any aspect of the sister’s case. This includes providing services, accessing case files, or participating in any decisions related to the application. ** Please note: It is not recommended to say that persons with conflicts **CANNOT** apply for assistance, because this can lead to Fair Housing Violations. Instead, it is recommended that you follow conflict of interest policies, fully disclose, and seek waiver and/or exemptions for those conflicted persons that choose to apply.

5. **Documentation Protocols**, all disclosures, due diligence efforts, and actions taken by the agency to address potential or actual conflicts of interest must be thoroughly documented. This includes maintaining clear records of all board activities, such as meeting attendance, recusals, motions, and votes. These should all be reflected in the official meeting minutes to ensure transparency and accountability.
6. **Training Protocols**, ensuring that all board members and employees receive comprehensive training on the organization's conflict of interest policies during onboarding and at regular intervals—at least annually.
7. **Oversight & Quality Control mechanisms**, ensuring that checks and balances are in place, and the policy identifies who will be responsible for addressing conflicts, and who will be responsible for oversight of the process to verify policies are followed.
8. **Periodic Review**, mandating regular review and updates of the policy to ensure continued compliance with applicable laws and evolving best practices.

RELEVANT REGULATIONS OR DOCUMENTS

KHC highly recommends researching and reviewing regulations and other federal & State guidance associated with the funding administered by the partner agency prior to developing/updating the agency's written Conflict of Interest Policies & Procedures. Listed below are some relevant regulations and documents, however, **this is not an all-inclusive list.**

- 2 CFR 200 – The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- 24 CFR 92.356 – HOME Regulation Conflict Of Interest
- 24 CFR 576.404– Emergency Solutions Grant (ESG) Regulation Conflict of Interest
- 24 CFR 578.95 – Continuum of Care (CoC) Regulation Conflict of Interest
- 24 CFR 574.625 – Housing Opportunities for Persons with Aids (HOPWA) Regulation Conflict of Interest
- HUD office of Inspector General, 7 Keys to Handling Conflicts of Interest, Integrity Bulletin, April 2019
- HUD Notice CPD -21-10 – HOME – American Rescue Plan (HOME-ARP)
- KRS 273.219
- Internal Revenue Service (IRS) Instructions for Form 1023
- IRS Instructions for Form 990