

Each story-led activity is meant to highlight the key points you learned within the *Lead the Way* curriculum and help you apply what you have learned. Story-led activities can be completed as part of the online learning experience, or as a handout to be completed offline individually or as a group. Below is a story you can read individually or as a group. Questions about the story follow each segment. A key with question answers and explanations can be found on page 4. Public housing agencies depicted in these stories are fictional, and any resemblance to real agencies is coincidental and unintentional.

Harrisboro Housing Authority

The community of Harrisboro is home to over 25,000 residents. The county seat, it was once a booming textile manufacturing hub. When the factories closed their doors 30 years ago, many people lost their jobs. Yet a successful minor league baseball team and regional airport serve as a reminder of the heyday the town once enjoyed. Most people now work for the large county hospital located downtown. The Harrisboro Housing Authority owns a number of housing developments and runs a Housing Choice Voucher program to support the community.

The executive director, Bill Watts, has been running the Housing Authority for seven years. Well-liked in the community, he's been running a tight ship by all accounts. The board of commissioners, members of the community appointed by the mayor over the past four years, trusts the reports and recommendations made by Bill. They have no reason not to – their PHAS and SEMAP scores have been good, and unlike some other housing authorities in the state, they've had no scandals in the local media.

Harrisboro Housing Authority sought a contractor to complete a parking lot by sealed competitive bids. The project will be funded with Capital Fund grant funds. Doty & Sons is the engineering firm that will oversee the contract. Jones Construction, Inc. was the low bidder for the job and has been selected for the award of this contract. The owners of the engineering firm, Ben Doty, and the construction company, Arnold Jones, are stepbrothers.



1 Can Harrisboro Housing Authority award the contract?

Note: This is a procurement of construction services allowed under 24 CFR 85.36.

- a. Yes, because although the owners of the two companies are stepbrothers, Harrisboro Housing Authority secured the bid by sealed competitive bid.
- b. Yes, because Ben Doty and Arnold Jones are not immediate family members.
- c. No, a conflict of interest exists because Ben Doty and Arnold Jones are immediate family members.
- d. No, because Ben Doty will be administering funds being paid to Jones Construction, Inc.

Bill Watts, the executive director of the Harrisboro Housing Authority, is married to Carol. Known around town for her entrepreneurial spirit, she owns and runs a local diner and has begun some freelance work building websites for small businesses. Carol knows the Housing Authority well, and wants to serve the community by pitching in and building the Housing Authority a site at a very low cost. Currently, they have only been able to support a monthly newsletter, and a website would help keep the public better informed of the activities of the Authority.

2 What is the appropriate action by the board in response to this request?

Note: This is a procurement covered by Section 19 of the ACC.

- a. The board should request that Bill review the conflict of interest regulations in the ACC, as well as the PHA bylaws, and only proceed if the executive staff agree that there is no conflict.
 - b. The board should advise Bill that this “looks like” a conflict under Section 19 of the ACC, Part A, and he would need to disclose his interest in his wife’s contract to the PHA and then request a waiver from HUD.
 - c. The board should approve the request. The board should not micro-manage these processes and focus instead on big picture planning. If a conflict of interest issue arises, they can reprimand or even fire Bill.
-

3 Should Bill be able to easily obtain a waiver from HUD?

Note: This is a procurement covered by Section 19 of the ACC.

- a. Yes
- b. No

The Harrisboro Housing Authority has been financially strong, and Bill Watts has submitted a request to the board to hire a receptionist. In the request from the Authority, a woman named Sonya Ferrera is listed as the applicant selected for the position. She is the mother of Raymond Ferrera, the Authority’s Chief of Maintenance and Painting. Sonya’s salary will be paid with public housing operating funds.

4 Is there a conflict of interest for The Housing Authority to hire Sonya Ferrera?

Note: This is a question of nepotism covered by Section 19(B) of the ACC.

- a. Yes
- b. No

Lucille Hanson, the owner of a large real estate business in town, also administers two apartment projects that participate in HUD's Housing Choice Voucher program through the Harrisboro Housing Authority. The mayor of Harrisboro just released a list of possible new commissioners, and Lucille, based on her real estate expertise, has been included on that list.

5 Can Lucille Hanson accept the position as commissioner as offered by the mayor?

Note: This is a question of conflict of interest covered by 24 CFR 982.161(a)(1).

- a. Yes. There is no conflict of interest as long as she does not abuse her dual role as commissioner and administrator.
- b. Yes, because the commissioner does not directly oversee Housing Choice Voucher program funding.
- c. No, a conflict of interest exists. She must resign as administrator or not accept the commissioner offer.

Jeanette Peterson, a resident commissioner of the Harrisboro Housing Authority, is concerned about some of the procurement contracts she's seen come before the board. She's not sure, but she suspects that some of the contracts are going to relatives of the executive director, Bill Watts. According to the housing authority's bylaws and code of ethics, any employee or agent of the housing authority who suspects dishonest or fraudulent activity will notify the housing authority's legal counsel immediately, and should not attempt to personally conduct investigations. Jeanette brings her concerns to legal counsel.

At the same time, HUD is completing its annual Management Review for the multi-family asset management projects in Harrisboro. Two weeks later, the Authority receives a directive from HUD not to spend or obligate any federal money without first obtaining HUD approval. The review brought to light a number of issues, including contracts that violated conflict of interest regulations. According to the report, the housing authority had entered into janitorial contracts with family members of employees. Bill Watts retired shortly after the findings from the Management Review were released.

Maria Orleans has been hired as an interim executive director. The Harrisboro Housing Authority is doing everything it can to turn things around. They've drafted new internal control policies to help identify conflicts of interest, fraudulent behavior, and unethical practices at the Authority. They are waiting for the results of an independent on-site investigation by the HUD Office of Inspector General. They also reached an agreement with HUD to repay the \$150,000 in federal money spent on contracts that violated conflict of interest regulations.

They're also hiring new staff, including a new Director of Housing Services, Asset Manager, and Director of Finance. The hope is that with the new staff, new policies, and compliance with HUD review and sanctions, the Authority can quickly show Harrisboro that it will not tolerate unethical behavior, and is a dependable part of the community.

Answer Key

1 Can Harrisboro Housing Authority award the contract?

Note: This is a procurement of construction services allowed under 24 CFR 85.36.

- a. Yes, because although the owners of the two companies are stepbrothers, Harrisboro Housing Authority secured the bid by sealed competitive bid.

Try Again. *A conflict of interest exists when an immediate family member receives the award, even if the competition for the award was through sealed bid.*

- b. Yes, because Ben Doty and Arnold Jones are not immediate family members.

Try Again. *Stepsiblings are considered immediate family members.*

- c. No, a conflict of interest exists because Ben Doty and Arnold Jones are immediate family members.

Correct. *Conflict of interest exists for an agent of the PHA to administer a contract supported by federal funds if a member of his immediate family has a financial interest in the company selected for the award. Since Ben Doty is acting as the PHA's agent by overseeing the contract that his stepbrother won, there is a conflict of interest.*

- d. No, because Ben Doty will be administering funds being paid to Jones Construction, Inc.

Try Again. *A conflict of interest exists when an immediate family member receives the award, regardless of how the funds are handled.*

2 What is the appropriate action by the board in response to this request?

Note: This is a procurement covered by Section 19 of the ACC.

- a. The board should request that Bill review the conflict of interest regulations in the ACC, as well as the PHA bylaws, and only proceed if the executive staff agree that there is no conflict.

Try Again. *ACC Section 19(A)(D) states that immediate family members, including spouses, may not enter into a contract with PHA employees or representatives. Ethical decisions should not be left to the person in question.*

- b. The board should advise Bill that this “looks like” a conflict under Section 19 of the ACC, Part A, and he would need to disclose his interest in his wife’s contract to the PHA and then request a waiver from HUD.

Correct. *The board should review contract and procurement requests closely. The board should respond if anything might be or even looks unethical.*

- c. The board should approve the request. The board should not micro-manage these processes and focus instead on big picture planning. If a conflict of interest issue arises, they can reprimand or even fire Bill.

Try Again. *The board is responsible for making sure the PHA complies with regulations concerning procurement, conflict of interest, and other ethical questions.*

3 Should Bill be able to easily obtain a waiver from HUD?

Note: This is a procurement covered by Section 19 of the ACC.

- a. Yes

Try Again. *Bill would have to submit the PHA's counsel opinion that state and local law permit a waiver of this conflict of interest as part of the waiver request. Moreover, Bill could not admin-*

ister his wife's contract. The board of commissioners would have to make other arrangements, acceptable to HUD, for the contract administration.

b. No

Correct. As part of the waiver request, the Authority must submit an attorney's statement that state and local law permit a waiver of this conflict of interest. HUD would not grant the waiver unless the PHA made an arrangement for someone other than Bill to administer the contract, as Bill cannot administer a contract with his wife.

4 Is there a conflict of interest for The Housing Authority to hire Sonya Ferrera?

Note: This is a question of nepotism covered by Section 19(B) of the ACC.

a. Yes

Try Again. This is not a conflict of interest because of the role that Sonya's son plays in the Authority. Section 19(B)(1)(ii) of the ACC says, "the Housing Authority may not hire an employee in connection with a project if they are an immediate family member of an employee of the HA who formulates policy or who influences decisions with respect to the project." While Sonya is the immediate family member of Raymond Ferrera, he would not normally formulate policy or influence decisions in his role as Chief of Maintenance and Painting.

b. No

Correct. Section 19(B)(1)(ii) of the ACC says, "the Housing Authority may not hire an employee in connection with a project if they are an immediate family member of an employee of the HA who formulates policy or who influences decisions with respect to the project." While Sonya is the immediate family member of Raymond Ferrera, he would not normally formulate policy or influence decisions in his role as Chief of Maintenance and Painting.

5 Can Lucille Hanson accept the position as commissioner as offered by the mayor?

Note: This is a question of conflict of interest covered by 24 CFR 982.161(a)(1).

a. Yes. There is no conflict of interest as long as she does not abuse her dual role as commissioner and administrator.

Try Again. As a commissioner of the Housing Authority, she cannot enter into a contract where she has an interest. According to HUD's Housing Choice Voucher program regulations, a conflict of interest exists.

b. Yes, because the commissioner does not directly oversee Housing Choice Voucher program funding.

Try Again. Regardless of whether Lucille oversees the Housing Choice Voucher program, HUD's program regulations state that if any member of the Housing Authority, including board members, has an interest, this is a conflict of interest.

c. No, a conflict of interest exists. She must resign as administrator or not accept the commissioner offer.

Correct. HUD's Housing Choice Voucher program regulations provide that the Housing Authority may not enter into any contract in connection with tenant-based programs in which any present member of the Housing Authority has an interest. If Lucille wants to accept the role, she must resign as administrator, or the Housing Authority must seek a waiver of the conflict of interest from HUD.