



CITY OF MANITOWOC

WISCONSIN, USA

www.manitowoc.org

DATE: August 1, 2023
TO: Finance Committee
FROM: Shawn M. Alfred, Finance Director/Treasurer
RE: Employee Back Pay

The Finance Department, including Payroll, was made aware of an error in the calculation of employee compensation for six employees of the City. This error resulted in the six individuals being paid inaccurately from as early as 2007, depending on the employee. The miscalculation of compensation was in the additional pay that is given to employees that provide proof of an obtained level of education; specifically titled Educational Credit. Educational Credit is added to the normal pay that an employee would receive per pay period.

It was determined, after being alerted by one employee, that there was a lapse in the process to ensure the correct Educational Credit was applied to the employee(s). Historically, the process was that the Department would submit a change (via memo) to the Finance Department (specifically Payroll) alerting that an employee's educational credit needed to be increased. The memo would result in Payroll adjusting the employee's pay record to accurately pay the employee for the level of educational credit warranted. This did not occur for all the employees eligible for the educational credit. After extensive research by City Staff, it is undeterminable if it was an error by the employees' Department or an error by Payroll.

It should be noted that after consulting with the Interim City Attorney to determine the City's legal obligation, it was determined the statute of limitations in Wisconsin for a collection of wage claims by an employee (the scenario detailed in this memo) is two years.

Below are the approximate total costs (wages, taxes, WRS) for two scenarios: #1- legally obligated by the City per Statute and #2 – amount if paying the individuals in full since the error occurred. It is anticipated that the 2023 budget will be able to fund the expenses due to cost savings from staff vacancies.

- Two Years per State Statute: \$3,980
- Since error: \$48,273

Thank you for your time.