SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 2001	Commission File No. 0-22405

INFORMATION ANALYSIS INCORPORATED
(Exact name of Registrant as specified in its charter)

Virginia	54-1167364
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
11240 Waples Mill Road, Suite 400, Fairfax, VA	22030
(Address of principal executive offices)	(Zip Code)
(Registrant's telephone number, including area code)	(703) 383-3000

Indicate by check mark whether the Registrant(1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

State the number of shares outstanding of each of the issuer's classes of common stock, as of May 1, 2001:

Common Stock, par value $.01, 9,701,473 shares

Transitional small business disclosure format.

Yes ____ No X

INFORMATION ANALYSIS INCORPORATED
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INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 2001 Unaudited	December 31, 2000 Audited
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,556	$ 42,881
Accounts receivable, net	1,218,973	1,073,941
Prepaid expenses	149,397	174,875
Other receivables	92,431	57,800
Total current assets	1,488,357	1,349,497
Fixed assets, net	68,188	96,139
Equipment under capital leases, net	5,508	6,717
Capitalized software, net	452,915	491,552
Other receivables	18,142	18,142
Other assets	58,275	58,275
Total assets	$ 2,091,385	$ 2,020,322
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving line of credit	592,000	598,591
Accounts payable	$ 1,607,933	1,517,897
Accrued payroll and related liabilities	219,263	211,866
Other accrued liabilities	198,734	208,976
Total current liabilities	2,617,930	2,537,330
Stockholders' equity:		
Common stock, par value $0.01, 30,000,000 shares authorized; 11,206,084 shares issued, 9,701,473 outstanding at March 31,2001 and December 31, 2000	112,061	112,061
Additional paid in capital	13,915,702	13,915,702
Retained earnings	(13,699,995)	(13,690,458)
Less treasury stock; 1,504,611 shares at cost	(854,313)	(854,313)
Total stockholders' equity	(526,545)	(517,008)
Total liabilities and stockholders' equity	$ 2,091,385	

$ 2,020,322

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</TABLE>

The accompanying notes are an integral part of the consolidated financial statements

<TABLE>
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INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended March 31, 2001 Unaudited	2000 Unaudited
<S>	<C>	<C>
Sales		
Professional fees	$1,258,078	$ 1,221,805
Software sales	94,041	466,512
Total sales	1,352,119	1,688,317
Cost of sales		
Cost of professional fees	905,658	939,154
Cost of software sales	109,664	144,514
Total cost of sales	1,015,322	1,083,668
Gross profit	336,797	604,649
Selling, general and administrative expenses	333,767	560,544
Income from operations	3,030	44,105
Other expenses ,net	(12,567)	(2,203)
(Loss) Income before provision for income taxes	(9,537)	41,902
Provision for income taxes	0	0
Net (loss) income	$ (9,537)	$ 41,902
Earnings per common share:		
Basic	$0.00	$0.00
Diluted	$0.00	$0.00

Weighted average common shares outstanding:		
Basic	9,701,473	9,435,543
Diluted	9,701,473	10,149,573

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For the Three Months Ended March 31,	
	2001	2000
	Unaudited	Unaudited
<S>	<C>	<C>
Net (loss) income	$ (9,537)	$ 41,902
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	27,940	57,352
Amortization	1,209	3,691
Amortization of capitalized software	38,637	38,637
Gain on sale of fixed assets	(9,353)	--
Changes in operating assets and liabilities		
Accounts receivable	(145,032)	(810)
Other receivables and prepaid expenses	(9,153)	41,265
Accounts payable and accrued expenses	87,191	(494,752)
Net cash used by operating activities	$ (18,098)	$(312,715)
Cash flows from investing activities		
Increase in capitalized software	--	(45,680)
Proceeds from sale of fixed assets	9,364	--
Net cash provided (used) by investing activities	9,364	(45,680)
Cash flows from financing activities		
Net (payments) borrowing under bank revolving line of credit	(6,591)	159,100
Principal payments on capital leases	--	(1,458)
Net Proceeds from private placement	--	125,000
Proceeds from exercise of stock options and warrants	--	31,626
Net cash (used) provided by financing activities	(6,591)	314,268

Net decrease in cash and cash equivalents	(15,325)	(44,127)
Cash and cash equivalents at beginning of the period	42,881	133,468
	---------	---------
Cash and cash equivalents at end of the period	$ 27,556	$ 89,341
	=========	=========
Supplemental cash flow Information		
Interest paid	$ 12,640	$ 6,242

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements

PART I

Item 1. Financial Statements.

INFORMATION ANALYSIS, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The accompanying consolidated financial statements have been prepared by Information Analysis Incorporated ("IAI" or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Financial information included herein is unaudited, however, in the opinion of management, all adjustments (which include normal recurring adjustments) considered necessary for a fair presentation have been made. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, but the Company believes that the disclosures made are adequate to make the information presented not misleading. For more complete financial information, these financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2000 included in the Company's annual report on Form 10-KSB. Results for interim periods are not necessarily indicative of the results for any other interim period or for the full fiscal year.

Item 2. Management's Discussion and Analysis of Financial Condition or Plan of Operation.

Overview

Prior to mid-1999, the Company was primarily dedicated to solving Year 2000 problems by providing software and services. Since the latter part of 1999 the Company's main focus has been modernizing client information systems and developing Web-based solutions. IAI primarily applies its technology, services and experience to legacy software migration and modernization. Internet and intranet technology offer a different approach at collecting and processing large volumes of user transactions and processes which were the forte of older legacy systems. The Company has been using its expertise in legacy systems to develop solutions that allow these legacy systems to interface with the Web.

Cautionary Statement Regarding Forward-Looking Statements

This Form 10-QSB contains forward-looking statements regarding the Company's business, customer prospects, or other factors that may affect future earnings or financial results that are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which could cause actual results to vary materially from those expressed in the forward-looking statements. Investors should read and understand the risk factors detailed in the Company's 10-KSB for the fiscal year ended December 31, 2000 and in other filings with the Securities and Exchange Commission.

Net Income Per Share

Earnings per share are presented in accordance with SFAS No. 128, "Earnings Per Share." This statement requires dual presentation of basic and diluted earnings per share on the face of the income statement. Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, except for periods when the Company reports a net loss because the inclusion of such items would be antidilutive.

The following is a reconciliation of the amounts used in calculating basic and diluted net income per common share.

	Income	Shares	Per Share Amount
Basic net income per common share for the three months ended March 31, 2001:			
Income available to common stockholders	$(9,537)	9,701,473	$ 0.00
Effect of dilutive stock options		--	--
Diluted net income per common share for the three months ended March 31, 2001:	$(9,537)	9,701,473	$ 0.00
Basic net income per common share for the three months ended March 31, 2000:			
Income available to common stockholders	$41,902	9,435,543	$ 0.00
Effect of dilutive stock options		714,030	--
Diluted net income per common share for the three months ended March 31, 2000:	$41,902	10,149,573	$ 0.00

Three Months Ended March 31, 2001 Versus Three Months Ended March 31, 2000

Revenue

IAI's revenues in the first quarter of fiscal 2001 were $1,352,119, compared to $1,688,317 in the first quarter of fiscal 2000, a decrease of 19.9%. Professional services revenue was $1,258,078 versus $1,221,805, an increase of 3.0%, and product revenue was $94,041 versus $466,512 a decrease of 79.8%. The decrease in software sales were mainly attributable to no sales of the Company's ICONS software tool for the first quarter of 2001, versus the first quarter of 2000. ICONS is a software toolset that is used in connection with conversions and migrations from mainframe legacy systems.

Gross Margins

Gross margin was $336,797, or 24.9% of sales, in the first quarter of fiscal 2001 versus $604,649, or 35.8% of sales, in the first quarter of fiscal 2000. Of the $336,797 in 2001, $352,420 was attributable to services and ($15,623) was attributable to software sales. Gross margin as a percentage of sales was 28.0% for professional services and (16.6%) for software sales for 2001. In the first quarter of 2000, the Company reported gross margins of approximately 23.1% for services and 69.0% for software sales. The increase in professional services gross margin is a result of better margins on some of the Company's newer projects for the first quarter of 2001 that were not present during the same period for 2000. The decrease in software sales gross margin was mainly attributable to no sales of the Company's ICONS software tool for the first quarter of 2001, versus the first quarter of 2000.

Selling, General and Administrative

Selling, general and administrative expenses (SG&A) were $333,767, or 24.7% of revenues, in the first quarter of 2001 versus $560,544, or 33.2% of revenues, in the first quarter of 2000, a decrease in expenses of 40.5%. The decrease is attributable to the Company's continued commitment to align SG&A costs to the level of its professional services and software business.

Profits

The Company generated an operating profit before other expenses of $3,030 in the first quarter of 2001 compared to $44,105 in the first quarter of 2000. There was a net income loss of $9,537 for 2001 versus net income of $41,902 in 2000. In general, the operating profit and net income decrease is a result of lower software sales during the first quarter of 2001.

Liquidity and Capital Resources

The Company financed its operations from current collections, and through its bank line of credit. Cash and cash equivalents at March 31, 2001 were $27,556, compared to $42,881 at December 31, 2000.

The Company is in default with its line of credit with First Virginia Bank as a result of the Company's failure to meet certain financial tests. However, a forbearance agreement between the Company and First Virginia Bank is in effect, which effectively extends the line of credit of $850,000 to May 29, 2001. The Company is in negotiations with various organizations to obtain new financing.

If revenue continues at current levels the Company believes that it will derive sufficient cash flow to continue to pay all essential expenses which are required to currently operate the business. Any material reduction in revenue could have a material adverse effect on the Company's operational capabilities. Current operations, however, are insufficient to provide the additional working capital that is necessary to repay approximately one million dollars of past due payables. The Company is in the process of negotiating with past due creditors to obtain concessions on their claims. The Company may require additional cash resources during 2001 to support its operations and to satisfy its debts. Accordingly, the Company may from time to time consider additional equity offerings. The Company is uncertain that it will be able to raise additional capital.

The Company has no material commitments for capital expenditures.

PART II - OTHER INFORMATION

Item 2. Changes in Securities

Item 6. Exhibits and Reports on Form 8-K

(a) See the Index to Exhibits attached hereto.

(b) No reports on Form 8-K were filed for the quarter for which this report is filed.

SIGNATURES

In accordance with the requirements of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Information Analysis Incorporated
- ---------------------------------
(Registrant)

Date: May 11, 2001 By: /S/ Sandor Rosenberg

Sandor Rosenberg, Chairman of the Board and President

By: /S/ Richard S. DeRose

Richard S. DeRose, Executive Vice President and Treasurer

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit No.	Description	Location
<S>	<C>	<C>
10.1	Modification of Office Lease at 11240 Waples Mill Road, Fairfax, Virginia 22030.	Filed with this Form 10-QSB

</TABLE>

Exhibit 10.1

FIRST MODIFICATION OF LEASE

This First Modification of Lease ("Modification") is dated March 26, 2001, between Fair Center Office Associates, L.L.C. ("Landlord") and Information Analysis, Inc. ("Tenant").

RECITALS

R-1 The Landlord and Tenant entered into that particular Lease as of December 20, 1996, (the "Lease"), that particular Addendum #1 as of March 3, 1997, and that particular Addendum #2 as of April 11, 1997, for a portion of the Fair Center Office Building located in Fairfax County known as 11240 Waples Mill Road, Fairfax, Virginia 22030, consisting of the following approximate square feet of rentable space as described in the Lease as "Premises":

1. "Part A of the Premises" (Suite 400): 15,023 square feet
2. "Part B of the Premises" (Suite 202): 3,257 square feet
3. "Part C of the Premises" (Suite 306): 1,754 square feet

R-2 Landlord and Tenant wish to amend the Lease as provided herein.

In consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1) Modification of Lease. Landlord and Tenant agree that the Lease is hereby modified as follows:

A) Article I, "The Premises", Section 1.1: Part A of the Premises shall be reduced from fifteen thousand twenty-three (15,023) square feet of rentable area on the fourth (4th) floor (the "Initial Premises") of Fair Center Office Building to exclude approximately seven

thousand six hundred eighty-nine (7,689) square feet on the fourth (4th) floor (the "Excluded Premises"), as shown in Exhibit A-1. The total reduced square footage for Part A of the Premises shall be seven thousand three hundred thirty-four (7,334) square feet of rentable space (the "Reduced Premises"), as shown in Exhibit A-1 and rent will reduce accordingly. Landlord agrees that Tenant's Suite number will remain Suite 400.

B) Landlord shall deliver at its sole costs, the Excluded Premises to Tenant with the changes described below:

1) Landlord will demise the Excluded Premise from the Reduced Premises as shown in Exhibit A-1 and be responsible for all costs to accomplish such.

2) Landlord at its sole cost shall install a "double door" in the Reduced Premises, as shown in Exhibit A-1. Such door shall be building standard double doors.

2) Rent Abatement. Landlord agrees to abate $7,000.00 of Tenants rent for the month of March 2001. Landlord agrees that Tenant is not responsible to pay March's 2001 rent until April 1, 2001. Additionally, Landlord agrees to waive all late notices that have been sent to date.

3) Leasing Commissions. Landlord agrees to pay Irving Group $7,568.86 as broker for Tenant in this transaction. If Landlord does not pay Irving Group such amounts by April 30, 2001, Tenant has the right to offset rent and pay Irving Group directly for any unpaid sums. Landlord acknowledges that Tenant has not dealt with any other broker and Tenant is not responsible for any brokerage fees in connection with this transaction.

4) Reaffirmation of Lease. Except as modified herein, the Lease is hereby reaffirmed and ratified.

IN WITNESS WHEREOF, the parties have executed the First Modification of Lease intending same to be effective the date indicated in the first paragraph of this First Modification of Lease, having executed the First Modification of Lease on the date indicated below to their name.

WITNESS

LANDLORD: Fair Center Office Associates, L.L.C.

______________________________________	By: _________________________________
	Printed Name: _______________________
	Title: ______________________________
	Date: _______________________________
WITNESS	TENANT: Information Analysis, Inc.
______________________________________	By: _________________________________
	Printed Name: _______________________
	Title:
	Date: