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, 1996	Commission File No. 33-9390

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.)

2222 Gallows Road, Suite 300 Dunn Loring, VA	22027
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (703) 641-0955

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 March 31, 1996:

Common Stock, par value $.01, 462,053 shares

Transitional small business disclosure format.

Yes __________ No x

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
March 31, 1996

ASSETS

Current assets	
Cash and cash equivalents	$ 122,656
Accounts receivable	3,405,689
Employee advances	37,074
Deferred income taxes	95,887
Prepaid expenses	143,545
Other receivables	62,012
Total current assets	3,866,863
Fixed assets	
At cost, net of accumulated depreciation and amortization of $1,108,537	245,639
Equipment under capital leases	
Net of accumulated amortization of $40,180	65,641
Investments	10,000
Other receivables	157,660
Total assets	$4,345,803

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
March 31, 1996

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities	
Accounts payable	$1,759,422
Accrued payroll	406,104
Other accrued liabilities	31,100
Note payable - bank	0
Current maturities of capital lease obligations	18,229
Income taxes payable	36,229
Deferred rent	8,520
Total current liabilities	2,259,604
Capital lease obligations, net of current portion	54,428
Deferred income taxes	19,000
Total liabilities	2,333,032
Common stock, par value $0.01 1,000,000 shares authorized; 621,232 shares issued	6,212
Paid in capital in excess of par value	772,219
Retained earnings	2,056,153
Less treasury stock; 159,179 shares at cost	(821,813)
Total stockholders' equity	2,012,771
Total liabilities and stockholders' equity	$4,345,803

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

For the three months ended March 31,

	1996	1995
Sales		
Professional fees	$4,053,087	$4,229,242
Software sales	26,437	56,979
Total sales	4,079,524	4,286,221
Cost of sales		
Cost of professional fees	3,311,057	3,362,169
Cost of software sales	21,598	52,111
Total cost of sales	3,332,655	3,414,280
Gross profit	746,869	871,941
Selling, general and administrative expenses	581,778	828,489
Income from operations	165,091	43,452
Other income and expenses		
Interest income	601	2,096
Interest expense	(8,103)	(33,423)
Income before provision for income taxes	157,589	12,125
Provision for income taxes	56,924	4,607
Net income	$ 100,665	$ 7,518
Net income per common and common equivalent share	$0.22	$0.02
Weighted average common and common equivalent shares outstanding	465,978	486,430

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ending March 31,

	1996	1995
Cash flows from operating activities		
Cash received from customers	$3,925,478	$4,061,343
Cash paid to suppliers and employees	(3,258,374)	(4,266,564)
Interest received	601	2,096
Interest paid	(8,103)	(33,423)
Net cash provided (used) by operating activities	659,602	(236,548)
Cash flows from investing activities		
Loans and advances	(12,450)	(8,242)
Acquisition of furniture and equipment	(6,295)	(43,412)
Net cash used in investing activities	(18,745)	(51,654)
Cash flows from financing activities		
Net borrowing under bank revolving line of credit	(550,000)	285,000
Principal payments on debt and capital leases	(4,467)	(3,910)
(Repurchase) of common stock	(20,750)	(19,125)
Net cash (used) provided by financing activities	(575,217)	261,965
Net increase (decrease) in cash and cash equivalents	65,640	(26,237)
Cash and cash equivalents at beginning of the period	57,016	35,211
Cash and cash equivalents at end of the period	$ 122,656	$ 8,974

Reconciliation of net loss to cash provided by operating activities

	1996	1995
Net income	$ 100,665	$ 7,518
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	39,155	43,087
Changes in operating assets and liabilities		
Accounts receivable	(154,046)	(224,878)
Other receivables and prepaid expenses	5,912	(21,361)
Accounts payable and accrued expenses	613,548	(42,965)
Deferred rent	(2,556)	(2,556)
Income tax liability	56,924	4,607
Net cash provided (used) by operating activities	$659,602	$(236,548)

INFORMATION ANALYSIS INCORPORATED

Notes to Financial Statements

The interim financial statements are furnished without audit; however, they reflect all adjustments which are, in the opinion of management, necessary for the fair statement of the financial position and results of operations for the three months ended March 31, 1996 and 1995. The financial statements should be read in conjunction with the summary of significant accounting policies and notes to financial statements included in the Company's annual report for the year ended December 31, 1995.

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

Results of Operations

The Company's revenues in the first quarter of 1996 from its computer and software related services and sales segment increased by $901,905 or by 28.6%, to $4,045,511, from $3,143,606 for the first quarter of 1995. This increase is primarily attributable to the Company's contract with the

U.S. Customs Service ("USCS"). The USCS contract generated $3,171,109 in revenue in the first quarter of 1996 as compared to $1,692,240 in the first quarter of 1995, an increase of $1,478,869. This increase principally arose because the USCS assigned to the Company contractual responsibility for certain tasks which were previously contracted to other parties. The Company has subcontracted these additional tasks to others. It should be noted that the USCS contract is scheduled to terminate on June 30, 1996, the Company having failed to be awarded the renewal of this contract under recompetition. The Company has protested the award. No assurances can be provided that this protest will be successful.

Even though revenues increased for the computer and software services related segment, profit margins for this segment decreased from 23.9% in the first quarter of 1995 to 18.5% in the first quarter of 1996. This reduction is mostly attributable to lower profit margins the Company has realized on subcontracted services under the USCS contract. Selling, general and administrative expenses, as a percentage of revenue, decreased for the first quarter of 1996 compared to the corresponding quarter of 1995, or 13.9% this year compared to 21.5% last year. This decrease is due to a $111,341 reduction in indirect expenses for the first quarter of 1996, as compared to the first quarter of 1995, coupled with the increased revenue generated from the contract with USCS. Primarily, by reducing its selling, general, and administrative expenses, the computer and software segment was able to generate a profit of $184,236 during the first quarter of 1996, as compared to a $73,322 profit during the first quarter of 1995.

The Company's revenue generated from the health care segment of its business through Allied Health and Information Systems, Inc. ("AHISI") declined in the first quarter of 1996 to $34,013 from $1,142,615 during the corresponding quarter of 1995. This reduction in revenue resulted from the Company's implementation of its objective to wind-down the health care segment of its business. As of April 1, 1996, AHISI's funded backlog was reduced to $54,280 under one contract it maintains with the United States Department of Justice. This contract will terminate May 3, 1996 because the option year was not exercised. Effective May 3, 1996, the Company will generate no further revenue through AHISI. AHISI's first quarter 1996 loss was $19,145 compared to a $29,870 loss realized during the corresponding quarter of 1995.

On a consolidated basis, as a result of winding-down its health care services business, the Company's overall 1996 first quarter revenues declined by $206,697, to $4,079,524 from $4,286,221 in the first quarter of 1995. Consolidated gross profit margins also declined to 18.3% in the first quarter of 1996 compared to 20.3% in the first quarter of 1995. Selling, general and administrative expenses as a percentage of revenue decreased by 5.1% in the first quarter of 1996, to 14.2% from 19.3% in the corresponding quarter of 1995. After considering the effect of interest and taxes, the Company generated a consolidated first quarter profit of $100,665 in 1996 compared to a $7,518 profit which was generated in the first quarter of 1995.

Liquidity and Capital Resources

In the first quarter of 1996, as with the first quarter of 1995, the Company financed its operations from current collections and through advances on its line of credit with its bank. As of March 31, 1996, the outstanding balance on its line of credit was zero, as compared to $1,667,000 as of March 31, 1995. The winding down of AHISI has reduced the Company's working capital requirements allowing it to significantly reduce its borrowings on the line of credit. Cash and cash equivalents at March 31, 1996 were $122,656, compared to $8,974 at March 31, 1995.

The Company's $2,000,000 line of credit was renewed on June 5, 1995. This line of credit expires May 30, 1996 at which time it is subject to renewal. The line of credit coupled with funds generated from operations is sufficient to meet the Company's operating cash requirements.

The Company has no material commitments for capital expenditures.

PART II - FINANCIAL INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K were filed by the registrant during the quarter ended March 31, 1996.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Information Analysis Incorporated
(Registrant)

Date: May 10, 1996 By:______________________
Sandor Rosenberg
Chairman of the Board
and President

Date: May 10, 1996 By:______________________
Brian R. Moore
Treasurer

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