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 SEPTEMBER 30, 1999	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, #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 November 1, 1999:

Common Stock, par value $.01, 6,918,673 shares

Transitional small business disclosure format.

Yes _______ No ___x___ .

INFORMATION ANALYSIS INCORPORATED
FORM 10-QSB

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</TABLE>

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
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	As of September 30, 1999 (UNAUDITED)	As of December 31, 1998 (AUDITED)
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 135,757	$ 176,399
Accounts receivable, net	2,564,947	4,419,795
Employee advances	10,307	29,678
Prepaid expenses	80,217	89,629
Other receivables	112,321	56,059
Total current assets	2,903,549	4,771,560
Fixed assets, net	344,426	650,474
Equipment under capital leases, net	14,462	25,743
Capitalized software, net	2,585,267	3,406,522
Other receivables	49,454	50,226
Other assets	59,330	98,275
Total assets	$5,956,488	$9,002,800
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,858,370	$2,323,394
Accrued payroll and related liabilities	324,777	692,778
Other accrued liabilities	757,515	1,091,574
Revolving line of credit	1,126,700	1,796,200
Current maturities of capital lease obligations	8,436	14,995
Total current liabilities	4,075,798	5,918,941
	-	-
Total liabilities	4,075,798	5,918,941
Common stock, par value $0.01, 15,000,000 shares authorized; 8,423,284 and 8,358,784 shares issued, 6,918,673 and 6,854,173 outstanding at September 30,1999 and December 31, 1998, respectively	84,233	83,588
Additional paid in capital	12,658,795	12,639,666
Retained earnings	(10,008,025)	(8,785,082)
Less treasury stock; 1,504,611 shares at cost	(854,313)	(854,313)
Total stockholders' equity	1,880,690	3,083,859
Total liabilities and stockholders' equity	$5,956,488	$9,002,800

See accompanying notes

</TABLE>

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
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(UNAUDITED)	Three months ended September 30, 1999	1998
Net sales:		
<S>	<C>	<C>
Professional services	$ 1,548,178	$ 2,643,329
Software sales	549,767	112,791

Total sales	2,097,945	2,756,120
Cost of goods sold and services provided:		
Cost of professional services	1,037,233	3,056,744
Cost of software sales	791,447	397,473
Total cost of goods sold and services provided	1,828,680	3,454,217
Gross margin	269,265	(698,097)
Operating expenses:		
Selling, general and administrative	702,495	1,879,292
Research and development	-	353,282
Total operating expenses	702,495	2,232,574
Operating (loss)	(433,230)	(2,930,671)
Other (expense) income	(32,301)	15,479
(Loss) before income taxes	(465,531)	(2,915,192)
Provision for income taxes	--	--
Net (loss)	$ (465,531)	$ (2,915,192)
Earnings per common share:		
Basic	$(0.07)	$(0.43)
Diluted	$(0.07)	$(0.43)
Weighted average common shares outstanding:		
Basic	6,918,673	6,724,851
Diluted	6,918,673	6,724,851

(UNAUDITED)	Nine months ended September 30, 1999	1998
Net sales:		
Professional services	$ 6,988,853	$ 8,023,280
Software sales	1,150,366	4,718,844
Total sales	8,139,219	12,742,124
Cost of goods sold and services provided:		
Cost of professional services	4,713,115	7,026,486
Cost of software sales	1,528,403	2,010,145
Total cost of goods sold and services provided	6,241,518	9,036,631
Gross margin	1,897,701	3,705,493
Operating expenses:		
Selling, general and administrative	2,943,048	5,296,215
Research and development	72,935	1,032,302
Total operating expenses	3,015,983	6,328,517
Operating (loss)	(1,118,282)	(2,623,024)
Other (expense) income	(104,662)	97,703
(Loss) before income taxes	(1,222,944)	(2,525,321)
Provision for income taxes	--	--
Net (loss)	$ (1,222,944)	$ (2,525,321)
Earnings per common share:		
Basic	$(0.18)	$(0.38)
Diluted	$(0.18)	$(0.38)
Weighted average common shares outstanding:		
Basic	6,910,713	6,633,364
Diluted	6,910,713	6,633,364

</TABLE>

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

(UNAUDITED)	For the Nine Months Ended September 30, 1999	1998
<S>	<C>	<C>
Net (loss)	$(1,222,944)	$(2,525,321)
Adjustments to reconcile net loss to net cash provided by operating activities:		

Depreciation	222,819	219,863
Amortization	15,547	55,296
Software Amortization of Capitalized Software	821,253	872,993
Loss on sale of fixed assets	25,361	-
Changes in operating assets and liabilities		
Accounts receivable	1,854,848	(3,542,810)
Other receivables and prepaid expenses	12,238	(313,926)
Refundable income taxes	-	32,681
Accounts payable and accrued expenses	(1,167,084)	2,113,791
Net cash provided (used) by operating activities	$562,038	($3,087,433)
Cash flows from investing activities		
Acquisition of furniture and equipment	(1,961)	(257,530)
Increase in capitalized software	-	(3,172,550)
Proceeds from sale of fixed assets	55,566	-
Net cash provided (used) in investing activities	53,605	(3,430,080)
Cash flows from financing activities		
Net (payments) borrowed under bank revolving line of credit	(669,500)	393,600
Principal payments on capital leases	(6,559)	(18,199)
Net Proceeds from private placement	-	5,646,685
Proceeds from exercise of stock options and warrants	19,774	402,820
Net cash (used) provided by financing activities	(656,285)	6,424,906
Net (decrease) in cash and cash equivalents	(40,642)	(92,607)
Cash and cash equivalents at beginning of the period	176,399	363,753
Cash and cash equivalents at end of the period	$135,757	$271,146
Supplemental cash flow Information		
Interest paid	$112,049	$12,204

See accompanying notes

</TABLE>

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"). 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, 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, 1998 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.

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, 1998 and in other filings with the Securities and Exchange Commission.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION.

OVERVIEW

Prior to 1997, IAI was primarily dedicated to providing a range of information technology services such as software applications development, software conversions, information systems reengineering and systems integration. In 1996, IAI acquired the rights to a software tool which IAI initially intended to utilize for systems conversion services as companies sought to migrate from mainframe legacy systems to more modern day platforms and environments. After acquiring the rights to this tool, which IAI named UNICAST, IAI recognized that the tool's functionality was capable of being extended to address the Year 2000 problem currently confronting many computer systems. This problem basically prevents certain software applications from recognizing dates and executing transactions involving years subsequent to 1999.

The Company's main focus had been to license the UNICAST product to third-parties who were either engaged in the business of correcting date impacts in other parties' software or undertaking this remediation process for their own software. IAI also sought to perform remediation services in its own large volume production environment, called a solutions factory, in which it could utilize its own automation tools. During the latter part of 1998, IAI began to appreciate that Year 2000 market demand was not developing to the extent which third-parties had projected. Therefore, the Company began to devote greater resources to modernization and conversion services and web based solutions. The changes in the Company's focus between 1998 and 1999 substantially account for many of the differences in the Company's financial performance when periods in 1999 are compared to corresponding periods in 1998.

THREE MONTHS ENDED SEPTEMBER 30, 1999 VERSUS THREE MONTHS ENDED SEPTEMBER 30, 1998

REVENUE

IAI's revenues in the third quarter of fiscal 1999 were $2,097,945, compared to $2,756,120 in the third quarter of fiscal 1998, a decrease of 24%. Professional services revenues were $1,548,178 in 1999 versus $2,643,329 in 1998, a decrease of 41%, and product revenues were $549,767 in 1999 versus $112,791 in 1998, an increase of 387%. This increase was mostly related to JETFORM product sales.

GROSS MARGIN

Gross margins were $269,265, or 13% of sales, in the third quarter of fiscal 1999 versus ($698,097), or (25%) of sales, in the third quarter of fiscal 1998. Of the $269,265 in 1999, $510,945 was attributable to professional services and ($241,680) was due to software sales. Gross margins as a percentage of sales were 33% for professional services and (44%) for software sales. In the third quarter of 1998, the Company reported gross margins of approximately (16%) for professional services and (252%) for software. The gross margin for 1998 was adversely impacted by a prior period adjustment. The gross margin from software sales for 1999 was adversely impacted by software amortization costs of UNICAST. For third quarter 1999, were amortization excluded, overall gross margin would have been approximately 26%.

SELLING, GENERAL & ADMINISTRATIVE (SG&A)

SG&A was $702,495, or 33% of revenues, in the third quarter of 1999 versus $1,879,292, or 68% of revenues, in the third quarter of 1998, a decrease of 63%. The decrease in SG&A is attributable to the continued scaling back of SG&A expenses through the third quarter of 1999 as the Company continues its transition back to information technology services.

RESEARCH AND DEVELOPMENT (R&D)

R&D expenditures were $0 in the third quarter of fiscal 1999 versus $353,282 in the third quarter of fiscal 1998, as the Company terminated software maintenance expenses.

PROFIT/LOSS

The Company reported a net loss of $465,531, or ($0.07) per share basic and diluted in the third quarter of 1999 compared to a net loss of $2,915,492, or ($0.43) per share basic and diluted in the third quarter of 1998. In general, the losses are a combination of the continuing amortization of capitalized software and expenses associated with the Company's prior Year 2K initiatives, which the Company has not yet been able to eliminate. The Company's earnings per share calculations are based upon the weighted average of shares of common stock outstanding. The dilutive effect of stock options are included for purposes of calculating diluted earnings per share, except for periods when the Company reports a net loss, in which case the inclusion of stock options would be antidilutive.

NINE MONTHS ENDED SEPTEMBER 30, 1999 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 1998

REVENUE

IAI's revenues in the first nine months of fiscal 1999 were $8,139,219, compared to $12,742,124 in the first nine months of fiscal 1998, a decrease of 36%. Professional services revenues were $6,988,853 in 1999 versus $8,023,280 in 1998, a decrease of 13%, and product revenues were $1,150,366 in 1999 versus $4,718,844 in 1998, a decrease of 76%.

GROSS MARGIN

Gross margins were $1,897,701, or 23% of sales, in the first nine months of fiscal 1999 versus $3,705,493, or 29% of sales, in the first nine months of fiscal 1998. Of the $1,897,701 in 1999, $2,275,738 was attributable to professional services and ($378,037) was due to software sales. Gross margins as a percentage of sales were 33% for professional services and (33%) for software sales. The gross margin from software sales for 1999 was adversely impacted by software amortization costs of UNICAST.

SELLING, GENERAL & ADMINISTRATIVE

SG&A was $2,943,048, or 36% of revenues, in the first nine months of 1999 versus $5,296,215, or 42% of revenues, in the first nine months of 1998. The decrease in SG&A is attributable to the continued scaling back of SG&A expenses through the third quarter of 1999 as the Company continues its transition back to information technology services.

RESEARCH AND DEVELOPMENT

R&D expenditures were $72,935 in the first nine months of fiscal 1999 versus $1,032,302 in the first nine months of fiscal 1998. The decrease is due to lower software maintenance expenses in 1999.

PROFIT/LOSS

The Company reported a net loss of $1,222,944, or ($0.18) per share basic and diluted in the first nine months of 1999 compared to a net loss of $2,525,321, or ($0.38) per share basic and diluted in the first nine months of 1998. In general, the losses are a combination of the continuing amortization of capitalized software and expenses associated with the Company's prior Year 2K initiatives, which the Company has not yet been able to eliminate. The Company's earnings per share calculations are based upon the weighted average of shares of common stock outstanding. The dilutive effect of stock options are included for purposes of calculating diluted earnings per share, except for periods when the Company reports a net loss, in which case the inclusion of stock options would be antidilutive.

LIQUIDITY AND CAPITAL RESOURCES

Through the first nine months of 1999, the Company financed its operations from current collections and through its bank line of credit. Cash and cash equivalents at September 30 ,1999 were $135,757 compared to $271,146 at September 30,1998. As of September 30, 1999 the Company had an outstanding balance on its line of credit of $1,126,700.

The Company's line of credit of $2,000,000 with First Virginia Bank expired on June 19,1999. First Virginia Bank has executed forbearance agreements with the Company which effectively extends the line of credit until January 5, 2000. The Company is in negotiations with various organizations to obtain a new line of credit. The current line of credit, coupled with funds generated from operations, assuming the operations are cash flow positive, should be sufficient to meet the Company's operating cash requirements. The Company, however, may be required from time to time to delay the timely payment of its accounts payable. The Company cannot be certain that there will not be a need for additional working capital in the near future. It is uncertain whether the Company will be able to obtain such additional working capital.

The Company has no material commitments for capital expenditures.

YEAR 2000

The Company has previously examined its internal operating systems to insure that each is year 2000 compliant. All of the Company's software systems were evaluated, and to the extent required, upgraded to be year 2000 compliant. The Company does not believe that it has any material risks as a result of year 2000 impacts on its systems.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The securities class action law suit, Goldenberg v. Information Analysis Inc., et al., Civil Action No. 99-439A, filed on March 30, 1999, against the Company and two of its officers in the United States District Court for the Eastern District of Virginia, Alexandria Division, has been dismissed by order of the court. See the Company's Form 10-QSB for the period ending March 31, 1999. In this case the plaintiffs were seeking the certification of a class to assert claims for damages under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The dismissal resulted from the failure of the plaintiffs to file a complaint which complied with requirements imposed under the Private Securities Litigation Reform Act of 1995.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit
- 3.1 Amended and Restated Articles of Incorporation effective March 18, 1997
- 3.2 Articles of Amendment to the Articles of Incorporation
- 3.3 Amended By-Laws of the Company
- 4.1 Copy of Stock Certificate
- 27.1 Financial Data Schedule

(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: November 12, 1999

By:______________________________
Sandor Rosenberg, Chairman of the Board and President

By:______________________________
Richard S. DeRose, Executive Vice President and Treasurer

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	LOCATION
3.1	Amended and Restated Articles of Incorporation effective March 18, 1997	Incorporated by reference from the Registrant's Form 10-KSB/A for the fiscal year ending December 31, 1996
3.2	Articles of Amendment to the Articles of Incorporation	Incorporated by reference from the Registrant's Form 10-KSB/A for the fiscal year ending December 31, 1998
3.3	Amended By-Laws of the Company	Incorporated by reference from the Registrant's Form S-18 dated November 20, 1986 (Commission File No. 33-9390).
4.1	Copy of Stock Certificate	Incorporated by reference from the Registrant's Form 10-KSB/A for the fiscal year ending December 31, 1998
27.1	Financial Data Schedule	Filed with this Form 10-QSB

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S 10-QSB AS FOR THE QUARTER ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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