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 June 30, 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 June 30, 1996:

Common Stock, par value $.01, 464,303 shares

Transitional small business disclosure format.

Yes No x

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
June 30, 1996

ASSETS

Current assets	
Cash and cash equivalents	$ 93,765
Accounts receivable	2,838,593
Employee advances	33,721
Deferred income taxes	95,887
Prepaid expenses	164,839
Other receivables	68,867
Total current assets	3,295,672
Fixed assets	
At cost, net of accumulated depreciation and amortization of $1,135,694	237,254
Equipment under capital leases	
Net of accumulated amortization of $45,471	60,350
Investments	10,000
Goodwill	99,606

Other receivables	157,660
Total assets	$ 3,860,542

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
June 30, 1996

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities	
Accounts payable	$ 1,120,111
Accrued payroll	280,291
Other accrued liabilities	95,911
Note payable - bank	50,000
Current portion of note payable - other	115,413
Current maturities of capital lease obligations	18,229
Income taxes payable	7,664
Deferred rent	5,964
Total current liabilities	1,693,583
Note payable - other	123,172
Capital lease obligations, net of current portion	49,020
Deferred income taxes	19,000
Total liabilities	1,884,775
Common stock, par value $0.01 1,000,000 shares authorized; 627,482 shares issued	6,275
Paid in capital in excess of par value	797,156
Retained earnings	2,010,149
Less treasury stock; 163,179 shares at cost	(837,813)
Total stockholders' equity	1,975,767
Total liabilities and stockholders' equity	$3,860,542

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	For the six months ended June 30,	
	1996	1995
<S> <C>		
Sales		
Professional fees	$ 6,999,875	$ 8,388,366
Software sales	126,893	114,831
Total sales	7,126,768	8,503,197
Cost of sales		
Cost of professional fees	5,633,024	6,593,315
Cost of software sales	102,088	102,554
Total cost of sales	5,735,112	6,695,869
Gross profit	1,391,656	1,807,328
Selling, general and administrative expenses	1,297,438	1,599,756
Income from operations	94,218	207,572

Other income and expenses		
Interest income	2,785	3,349
Interest expense	(13,983)	(70,640)
Income before provision for income taxes	83,020	140,281
Provision for income taxes	28,359	53,306
Net income	$ 54,661	$ 86,975
Net income per common and common equivalent share	$0.12	$0.18
Weighted average common and common equivalent shares outstanding	464,499	484,800

</TABLE>

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	For the three months ended June 30,	
	1996	1995
<S> <C>		
Sales		
Professional fees	$ 2,946,788	$ 4,159,124
Software sales	100,456	57,852
Total sales	3,047,244	4,216,976
Cost of sales		
Cost of professional fees	2,321,967	3,231,146
Cost of software sales	80,490	50,443
Total cost of sales	2,402,457	3,281,589
Gross profit	644,787	935,387
Selling, general and administrative expenses	715,660	771,267
Income (loss) from operations	(70,873)	164,120
Other income and expenses		
Interest income	2,184	1,253
Interest expense	(5,880)	(37,217)
Income (loss) before provision for income taxes	(74,569)	128,156
Provision (benefit) for income taxes	(28,565)	48,699
Net income (loss)	$ (46,004)	$ 79,457
Net income per common and common equivalent share	($0.10)	$0.16
Weighted average common and common equivalent shares outstanding	461,353	483,171

</TABLE>

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	For the six months ending June 30,	
	1996	1995
<S> <C>		
Cash flows from operating activities		
Cash received from customers	$ 8,000,987	$ 8,080,219
Cash paid to suppliers and employees	(7,291,638)	(7,943,311)
Interest received	2,785	3,349
Interest paid	(13,983)	(70,640)
Net cash provided by operating activities	698,151	69,617
Cash flows from investing activities		
Loans and advances	(9,097)	1,260
Acquisition of furniture and equipment	(31,074)	(66,108)
Net cash used in investing activities	(40,171)	(64,848)
Cash flows from financing activities		
Net borrowing (payments) under bank revolving line of credit	(500,000)	27,000
Principal payments on debt and capital leases	(9,875)	(8,688)
(Repurchase) of common stock	(36,750)	(47,350)
Goodwill associated with purchase of a business	(99,606)	0
Stock issued in purchase of a business	25,000	0
Proceeds from exercise of incentive stock options	0	275
Net cash used by financing activities	(621,231)	(28,763)
Net increase (decrease) in cash and cash equivalents	36,749	(23,994)
Cash and cash equivalents at beginning of the period	57,016	35,211
Cash and cash equivalents at end of the period	$ 93,765	$ 11,217
Reconciliation of net income to cash provided by operating activities		
Net income	$ 54,661	$ 86,975
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	77,610	86,599
Changes in operating assets and liabilities		
Accounts receivable	874,219	(422,978)
Other receivables and prepaid expenses	(483,406)	43,710
Accounts payable and accrued expenses	151,820	227,117
Deferred rent	(5,112)	(5,112)
Income tax liability	28,359	53,306
Net cash provided by operating activities	$ 698,151	$ 69,617

</TABLE>

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 six months ended June 30, 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 second quarter of 1996 from its computer and software related services and sales segment decreased by $464,491 or by 13.3%, to $3,034,988 from $3,499,479 for the second quarter of 1996. The results of this segment now include International Software Services Corporation ("ISSC") which will operate as a subsidiary. ISSC's operating performance has been included from the date of acquisition, June 5, 1996. For the period June 5 through June 30, 1996, ISSC generated $63,590 in revenue and a $14,473 profit. Overall, in the second quarter of 1996, the Company incurred a $43,274 loss in its computer and software related services segment. This represented a $192,628 reduction in profit compared with the second quarter of 1995, in which the Company generated a profit of $149,354 profit from this line of business.

In the second quarter of 1996, the gross profit percentage from the computer and software related services and sales segment decreased to 21.3%, from 22.6% in the second quarter of 1995. Selling, general, and administrative expenses as a percentage of revenue increased to 22.7% during the second quarter of 1996, from 18.4% in the second quarter of 1995. This increase is due to $110,000 in legal fees that the Company incurred in the second quarter of 1996 in its protest of the award to another party of the renewal of the contract that the Company has maintained with the U.S. Customs Service ("USCS").

During the second quarter of 1996, the Company completed its intention of winding down the health care segment of the business provided by Allied Health and Information Services, Inc. ("AHISI"). AHISI's last remaining contract terminated May 3, 1996. No further revenue will be generated in AHISI. AHISI had revenues of $12,256 and a loss of $27,599 during the second quarter of 1996.

On a consolidated basis, as a result of winding-down its health care services business, the Company's overall 1996 second quarter revenues declined by $1,169,732 to $3,047,244 from $4,216,976 in the second quarter of 1995. Consolidated gross profit margins also declined to 21.2% in the second quarter of 1996, compared to 22.2% in the second quarter of 1995. Selling, general and administrative expenses as a percentage of revenue increased by 5.3% in the second quarter of 1996, to 23.5% from 18.2% in the corresponding quarter of 1995, primarily as a result of the reduction of its consolidated revenue. After considering the effect of interest and taxes, the Company sustained a consolidated second quarter loss of $46,004 in 1996 compared to a $79,457 profit which was generated in the second quarter of 1995.

As a result of winding down AHISI's business, year-to-date revenues for the Company for the six months ended June 30, 1996 decreased $1,376,429 over the corresponding six months of 1995, a decrease of 16.2%. The Company's consolidated gross profit percentage declined by 1.8% from 21.3% during first six months of 1994, to 19.5% during the first six months of 1996. Selling, general and administrative expenses as a percentage of revenue declined slightly to 18.2% during the first six months of 1996, compared to 18.9% during the first six months of 1995. Interest expense decreased by $56,657 during the first six months of 1996, as compared to the first six months of 1995. Interest income declined slightly to $2,785 in the first six months of 1996, from $3,349 in the first six months of 1995. Net income declined to $54,661 during the first six months of 1996, compared to a net income of $86,975 during the first six months of 1995.

Liquidity and Capital Resources

In the second quarter of 1996, as with the second quarter of 1995, the Company financed its operations from current collections and through advances on its line of credit with its bank. As of June 30, 1996 the outstanding balance on its line of credit was $50,000, as compared to $1,419,000 as of June 30, 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 June 30, 1996 were $93,765, compared to $11,217 at June 30, 1995.

The Company's renewed its line of credit for $1,500,000 on June 25, 1996. This line of credit represents a $500,000 reduction from the prior line of credit. This reduction is due to the Company's decreased working capital requirements. This line of credit expires June 19, 1997 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 5. Other Information

On April 9, 1996, the Company protested the award to another bidder of the renewal of the contract the Company has maintained with USCS. This protest was not successful. The contract with USCS accounted for 58% and 34% respectively, of the Company's consolidated revenue for the years ending December 31, 1995 and 1994. Until this revenue is replaced, the Company anticipates that its selling, general and administrative expenses as a percentage of revenue will increase. Any and all direct expenses associated with the contract will be eliminated.

Item 6. Exhibits and Reports on Form 8-K

(b) An 8-K was filed by the registrant during the quarter ended June 30, 1996 pertaining to acquisition of International Software Services Corporation on June 5, 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: August 15, 1996 By:_____________________
Sandor Rosenberg
Chairman of the Board
and President

Date: August 15, 1996 By:_____________________
Brian R. Moore
Treasurer

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