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, 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, 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 April 30, 1999:

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

	As Of March 31, 1999 Unaudited	As Of December 31, 1998 Audited
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ASSETS		
Current assets:		
Cash and cash equivalents	$137,280	$176,399
Accounts receivable, net	3,909,367	4,419,795
Employee advances	32,107	29,678
Prepaid expenses	140,437	89,629
Other receivables	56,298	56,059
Total current assets	4,275,489	4,771,560
Fixed assets, net	544,062	650,474
Equipment under capital leases, net	21,983	25,743
Capitalized software, net	3,132,348	3,406,522
Other receivables	49,454	50,226
Other assets	122,625	98,275
Total assets	$8,145,961	$9,002,800
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,941,413	$2,323,394
Accrued payroll and related liabilities	488,503	692,778
Other accrued liabilities	696,221	1,091,574
Revolving line of credit	1,833,200	1,796,200
Current maturities of capital lease obligations	12,809	14,995
Total current liabilities	4,972,146	5,918,941
Total liabilities	4,972,146	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 March 31, 1999 and December 31, 1998, respectively	84,233	83,588
Additional paid in capital	12,658,794	12,639,666
Retained earnings	(8,714,899)	(8,785,082)
Less treasury stock; 1,504,611 shares at cost	(854,313)	(854,313)
Total stockholders' equity	3,173,815	3,083,859
Total liabilities and stockholders' equity	$8,145,961	$9,002,800

</TABLE>

SEE ACCOMPANYING NOTES

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	For the three months ended March 31,	
	1999 Unaudited	1998 Unaudited

<S><C>

Sales		
Professional fees	$3,515,958	$2,037,040
Software sales	319,706	2,131,966
Total sales	3,835,664	4,169,006
Cost of sales		
Cost of professional fees	2,095,509	1,592,662
Cost of software sales	375,711	574,921
Total cost of sales	2,471,220	2,167,583
Gross profit	1,364,444	2,001,423
Selling, general and administrative expenses	1,186,837	1,686,207
Research & Development	72,935	287,753
Income from operations	104,672	27,463
Other (expense) income	(34,489)	32,040
Income before provision for income taxes	70,183	59,503
Provision for income taxes	0	0
Net income	$70,183	$59,503
Earnings per common share		
Basic	$0.01	$0.01
Diluted	$0.01	$0.01
Weighted average common shares outstanding		
Basic	6,894,529	6,497,215
Diluted	8,029,979	8,205,965

</TABLE>

SEE ACCOMPANYING NOTES

INFORMATION ANALYSIS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	For the Three Months Ended March 31,	
	1999 Unaudited	1998 Unaudited
<S><C>		
Net income	$70,183	$59,503
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	84,816	69,663
Amortization	5,265	26,877
Amortization of capitalized software	274,174	201,400
Loss on sale of fixed assets	8,286	--
Changes in operating assets and liabilities		
Accounts receivable	510,428	(1,960,819)
Other receivables and prepaid expenses	(77,054)	(152,033)
Accounts payable and accrued expenses	(981,610)	473,531
Net cash (used) by operating activities	$(105,512)	$(1,281,878)
Cash flows from investing activities		
Acquisition of furniture and equipment	--	(160,592)
Increase in capitalized software	--	(976,753)
Proceeds from sale of fixed assets	11,805	--
Net cash provided (used) in investing activities	11,805	(1,137,345)

Cash flows from financing activities		
Net borrowing (payments) under bank revolving line of credit	37,000	(599,600)
Principal payments on capital leases	(2,186)	(4,090)
Net Proceeds from private placement	--	5,646,685
Proceeds from exercise of stock options and warrants	19,774	368,388
Net cash provided by financing activities	54,588	5,411,383
Net (decrease) increase in cash and cash equivalents	(39,119)	2,992,160
Cash and cash equivalents at beginning of the period	176,399	363,753
Cash and cash equivalents at end of the period	$137,280	$3,355,913
Supplemental cash flow Information		
Interest paid	$38,562	$6,092

</TABLE>

SEE ACCOMPANYING NOTES

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS MADE BY THE COMPANY'S MANAGEMENT MAY BE CONSIDERED TO BE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION ACT OF 1995. FORWARD-LOOKING STATEMENTS ARE BASED ON VARIOUS FACTORS AND ASSUMPTIONS THAT INCLUDE KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. THE WORDS "BELIEVE", "EXPECT", "ANTICIPATE" AND "PROJECT" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE THE STATEMENT WAS MADE. SUCH STATEMENTS MAY INCLUDE, BUT NOT BE LIMITED TO, PROJECTIONS OF REVENUES, INCOME OR LOSS, EXPENSES, PLANS, AS WELL AS ASSUMPTIONS RELATING TO THE FOREGOING. FORWARD-LOOKING STATEMENTS ARE INHERENTLY SUBJECT TO RISKS AND UNCERTAINTIES, SOME OF WHICH CANNOT BE PREDICTED OR QUANTIFIED, INCLUDING, BUT NOT LIMITED TO THE SIZE AND TIMING OF ORDERS AND CONTRACTS, CHANGES IN ECONOMIC CONDITIONS, THE COST OF LABOR, CHANGES IN TECHNOLOGY AND GENERAL COMPETITIVE FACTORS. THE COMPANY UNDERTAKES NO OBLIGATION AND DOES NOT INTEND TO UPDATE, REVISE OR OTHERWISE PUBLICLY RELEASE THE RESULTS OF ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS THAT MAY BE MADE TO REFLECT FUTURE EVENTS OR CIRCUMSTANCES.

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.

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 seek 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 as the so-called millenium bug began to emerge. Therefore, the Company began to devote greater resources to modernization and conversion services. Today, IAI has a short-term and long-term business strategy which involves the use of UNICAST. In the short-term, the Company believes UNICAST can continue to produce license fee revenues from system integrators and other users who acquire UNICAST to automate the correction of date impacts. The Company intends to continue to utilize its own solutions factory not only to generate such license fees but also to earn additional service revenue as it undertakes third-party engagements to remedy software. In the long-term, UNICAST is expected to facilitate the Company's ability to provide systems modernization services to companies that seek to migrate from mainframe legacy systems to modern environments, including current computer languages, databases,and mainframe, midrange, client servers, intranet and internet platforms. It is still uncertain whether and to what extent the Company's strategies will prove successful.

THREE MONTHS ENDED MARCH 31, 1999 VERSUS THREE MONTHS ENDED MARCH 31, 1998

REVENUE

IAI's revenues in the first quarter of fiscal 1999 were $3.8 million, compared to $4.2 million in the first quarter of fiscal 1998, a decrease of 8%. Professional services revenue was $3.5 million versus $2.0 million, an increase of 73%, and product revenue was $0.3 million versus $2.1 million. The increase in professional services revenue is attributable, in part, to the Company's strategy to reemphasize services as its core business focus. The Company believes that the decrease in product sales was attributable to a general decline in the market place for Year 2000 products.

GROSS MARGINS

Overall gross margins were $1.4 million, or 36% of sales, in the first quarter of fiscal 1999 versus $2.0 million, or 48% of sales, in the first quarter of fiscal 1998. Of the $1.4 million in 1999, $1.4 million was attributable to services and $(0.1) million was due to software sales. The decrease in software sales from which the Company has realized higher profit margin percentages caused the overall percentage reduction in profit margin. For the first quarter of 1999, gross margins as a percentage of sales were 40% for professional services and (18%) for software sales. In the first quarter of 1998, the Company reported gross margins of approximately 22% for services and 73% for software sales.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses (SG&A) were $1.2 million, or 31% of revenues, in the first quarter of 1999 versus $1.7 million, or 40% of revenues, in the first quarter of 1998, a decrease of 30%. The decrease is attributable to the Company's reduction in marketing and support expenses for its Year 2000 products. The Company believes that SG&A expenses will decline as a percentage of revenue if overall revenue increases.

RESEARCH AND DEVELOPMENT

Research and Development (R&D) expenditures were $0.1 million in the first quarter of fiscal 1999 versus $0.3 in the first quarter of fiscal 1998. The decrease is due to lower software maintenance expenses in 1999. IAI had no capitalized software development cost in the first quarter of 1999 and $0.7 million in the first quarter of 1998.

PROFITS

The Company generated an operating profit of $105,000 in the first quarter of 1999 compared to $28,000 in the first quarter of 1998. In general, the profit reflected a substantial improvement in gross margins in sales of professional services, combined with an overall reduction in expenses. Because of a net operating loss carryforward, the Company did not accrue for income taxes in the first quarter of 1999.

LIQUIDITY AND CAPITAL RESOURCES

In the first quarter of 1999, the Company financed its operations from current collections and through its bank line of credit. Cash and cash equivalents at March 31, 1999 were $137,280, compared to $3,355,913 at March 31, 1998. In the first quarter of 1998, the Company had raised $5,646,685 which accounts in substantial part for the reduction in cash and cash equivalents between the first quarters ending in 1999 and 1998.

The Company's line of credit of $2,000,000 expires June 19, 1999 at which time it is subject to renewal. The Company is out of compliance with certain covenants pertaining to its credit facility but the Company's bank has not declared a default. The Company believes its line of credit, coupled with funds being generated from operations, assuming the operations are profitable, should be sufficient to meet IAI's current operating cash requirements. The Company, however, may be required from time to time to delay the timely payment of its accounts payable.

The Company has no material commitments for capital expenditures.

PART II - OTHER INFORMATION

ITEM 2. LEGAL PROCEEDINGS

On March 30, 1999, a class action complaint was filed against the Company, Sandor Rosenberg, its chairman and chief executive officer, and Richard S. DeRose, its chief financial officer, in the United States District Court for the Eastern District of Virginia, Alexandria Division. The claims asserted in the litigation arise under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and the rules promulgated under these sections. The named plaintiff in the case is Elka Goldenberg who is seeking to have the court certify the case for a class action status and to certify her as the representative on behalf of the class.

The complaint alleges that public misrepresentations and the failure to disclose material adverse information caused the market price of the Company's securities to be artificially inflated between the period of February 26, 1998 through September 25, 1998. As a result thereof, the complaint alleges that all persons who sold or acquired the Company's securities during the period indicated were damaged. No amount has been specified in the complaint for damages.

Although the complaint was filed on March 30, 1999, as of May 13, 1999, service of process has not yet been effected on the Company or the individual defendants. Therefore, no obligation yet exists to respond to the complaint. The Company is of the opinion that the complaint is without merit and that, other than defense costs should the Company need to respond to the complaint, no financial exposure will result to the Company or the two officers named as defendants. The Company's counsel has been in discussion with the plaintiff's attorneys towards having the complaint dismissed.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See the Index to Exhibits attached hereto.

(b) Form 8-K was filed on January 11, 1999 and is incorporated by reference in which a change was made as to the Company's certifying accountant.

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 13, 1999 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

EXHIBIT NO.	DESCRIPTION
27.1	Financial Data Schedule

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registrant's 10-QSB as for the quarter ended March 31, 1999 and is qualified by
reference to such financial statements.
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