

## **Audit Committee Charter of the Board of Directors of Information Analysis Incorporated**

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Information Analysis Incorporated (the “Company”) designed to assist the Board in overseeing and monitoring (1) the accounting and financial reporting processes of the Company, including, management conclusions regarding the adequacy of the Company’s internal controls, (2) audits of the financial statements of the Company, (3) the independence and performance of the Company’s independent auditors and (4) the compliance by the Company with legal and regulatory requirements.

### **I. Roles and Responsibilities**

**A. Maintenance of Charter.** The Committee shall review and reassess the adequacy of this formal written charter (the “Charter”) on at least an annual basis.

**B. Financial Reporting.** The Committee, to the extent necessary and appropriate, shall:

- Review and discuss with the independent auditor the scope and plans for its audit examination, its audit procedures and the results of the annual audit examination, including any accompanying management letters.
- Review and discuss with management and with the Company’s independent auditors the Company’s audited financial statements, including disclosures made in management’s discussion and analysis, and indicate to the Board whether the Committee recommends that the audited financial statements be included in the Company’s Annual Report on Form 10-KSB.
- Prepare the report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement.
- Discuss with management and the independent auditors significant financial reporting issues and judgments made in connection with the preparation of the Company’s audited financial statements, including any significant changes in the Company’s selection or application of accounting principles, any major issues as to the adequacy of the Company’s internal controls and any special steps adopted in light of material control deficiencies.
- Review and discuss with the independent auditors:
  1. All critical accounting policies and practices used by the Company;
  2. All alternative treatments of financial information within generally accept accounting principles that have been discussed with management, ramifications of the use of alternative disclosures and treatments and the treatment preferred by the independent auditor;
  3. Other material written communications between the independent auditor and management, including the management letter and the schedule of unadjusted differences (if any).
- Discuss with management the Company’s earnings press releases, including the use of “pro forma” or “adjusted” non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
- Review disclosures made to the Committee by the Company’s CEO and CFO during their certification process for the Form 10-KSB and Form 10-QSB about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal controls.

- Review with management and the independent auditors the Company's quarterly financial statements prior to the filing of its Quarterly Reports on Form 10-QSB. The review may be conducted through a designated representative member of the Committee.

**C. Relationship with Independent auditors.** The Committee shall:

- Have sole authority to appoint, determine funding for, retain and oversee independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee. The Company shall provide for appropriate funding, as determined by the audit committee in accordance with this paragraph, for the compensation to independent auditors.
- Pre-approve all audit services and permissible non-audit services (including the fees and terms thereof), subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit, and subject to the ability of the committee to delegate to a subcommittee the approval of permissible non-audit services.
- At least annually, obtain and review a report by the independent auditor describing all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard I, actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that might impact the independence and objectivity of the independent auditor, and take, or recommend that the Board take, appropriate action with respect to any relationships disclosed.

**D. Ethics/Compliance: Resolution of Complaints.** The Committee shall:

- Oversee the Company's Compliance Program and compliance with its Code of Ethical Conduct, which will include (but not be limited to) a code of conduct for senior financial officers as contemplated by Section 406(c) of the Sarbanes-Oxley Act of 2002.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters (which may be part of the Company's general code of ethics and compliance procedures).
- Ensure, to the extent possible, that such complaints by employees regarding questionable accounting and auditing matters are treated confidentially and anonymously.
- Consistent with the Code of Ethical Conduct, the Committee shall review, approve or disapprove, and report to Board regarding all "related party transactions (as defined in Securities and Exchange Commission Regulation S-K, Item 404), including all transactions between the Company and any director or executive officer (excepting compensation relationships for their services as such), and between the Company and any person or entity in which a director or executive officer has a material financial interest.

## **II. Membership Requirements**

- The Committee shall consist of at least two directors chosen by the Board.
- The members of the Committee shall meet the independence and experience requirements of The Nasdaq Stock Market, Section 10A(m)(3) of the Exchange Act and the rules and regulations of the SEC.
- Each member of the Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement.
- At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or comparable experience or background (such as a position as a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities) which results in financial sophistication, recognized financial or accounting expertise.

- No member of the Committee shall either directly or indirectly accept any consulting, advisory or other compensatory fee from the Company other than for service on the Board or a committee.

### **III. Structure**

- The Committee shall appoint one of its members to act as a Chairperson, either generally or with respect to each meeting.
- The Committee Chairperson shall review and approve an agenda in advance of each meeting.
- The Committee shall meet at least annually, or more frequently as circumstances dictate.
- The Committee shall meet with management and the independent auditor in separate executive sessions at least once annually, or more frequently as circumstances dictate.
- The Committee shall have authority to conduct or authorize investigations into any matters within its scope of responsibilities.
- The Committee shall have the authority to engage, and determine funding for, special legal, accounting or other advisors as it deems necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisors employed by the Committee and for any other ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements or disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. This is the responsibility of management and, to the extent indicated in their reports thereon, the independent audit.